CREDIT AND FINANCIAL MANAGEMENT

Credit Card Magic in the Economy

Why Not Reinvestment Depreciation?

Six Steps to Make Diversifying Pay

JUNE 1959

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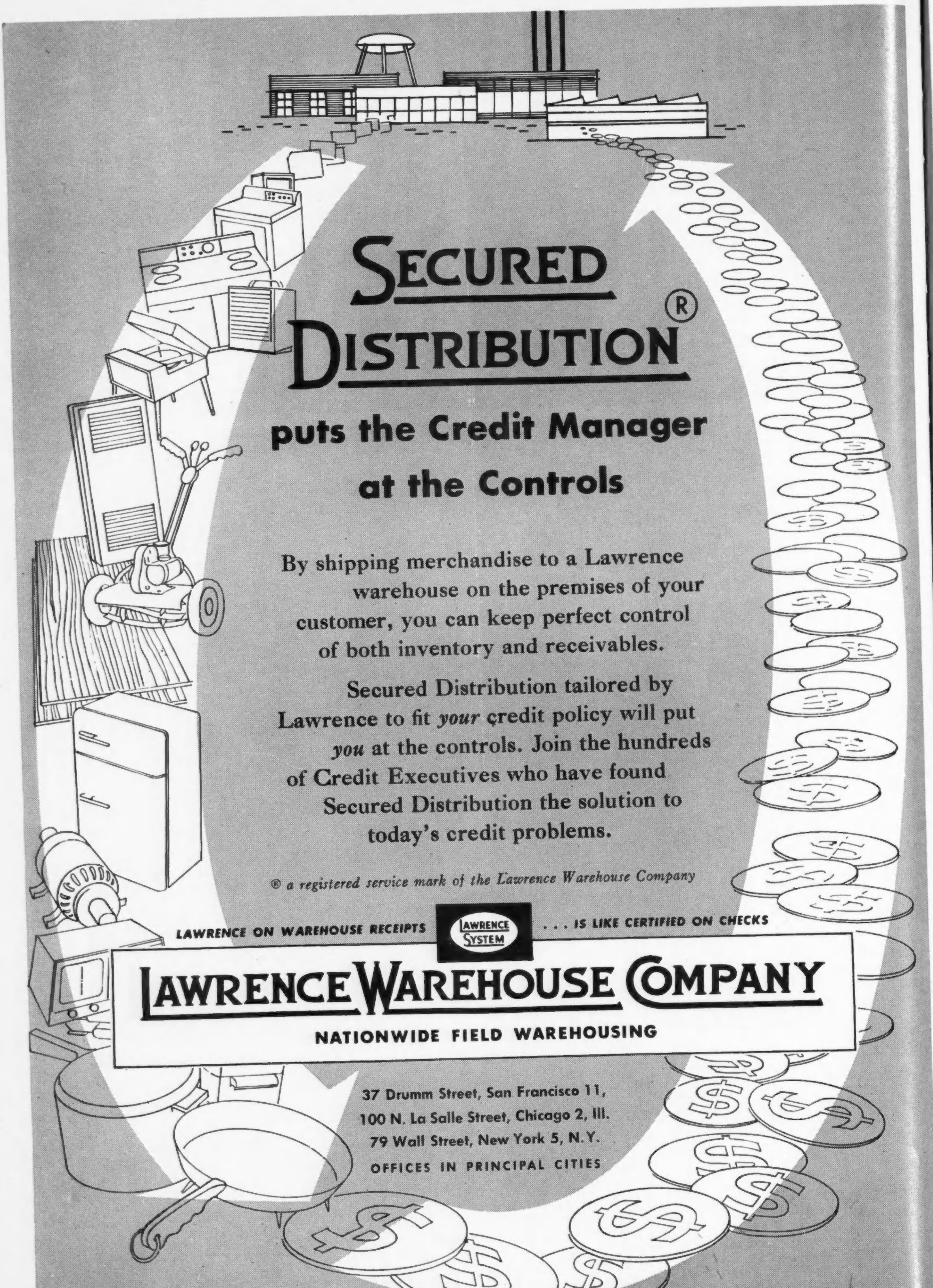
The Cover Picture

See Pages 5 and 12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OFFICES IN PRINCIPAL CITIES

Why a Creditor?

The question "Why Was I a Creditor?" introduced case history articles by credit executives in a symposium in the May issue of* Credit and Financial Management. *Readers are invited to contribute articles telling how they became creditors.—Ed.

Too Much "Elbow Bending" Capped Customer's Woes

SEVERAL different reasons led up to the bankruptcy of one of our auto glass accounts, but the concluding event that "triggered" our customer's financial demise is perhaps one of the oddest.

It was the old story of a good customer running into adverse business conditions and adding his personal woes in the form of "elbow bending" that led to the account being paid slower and slower.

No Longer in Business

We had just secured a sizable payment on account the month before. Then one morning we were informed that our customer was no longer in business. Our investigation revealed that he was unable to pay the premium due the insurance company covering his new and used automobiles, which naturally caused his policy to lapse. When this information reached the company that was financing this dealer's stock, the insurer stepped in and reclaimed all the autos covered in its financing arrangement and placed them in storage. This action took all the dealer's autos off the market and resulted in his bankruptcy.

Balance Due Cut in Half

We were eventually able to reduce the size of our customer's indebtedness to us to less than one-half the balance due at the time of bankruptcy.

This experience is enough to convince us that continuing follow-up on our accounts in the form of getting up-to-date credit information is a "must". You can bet that we're sticking to that policy.

CHARLES F. COLE
Credit Manager, Pittsburgh Plate Glass Company, Indianapolis, Indiana

EDITORIAL

THE MORAL EFFECT OF TAXATION

WE have spoken frequently of taxation in a way more or less abstract. We have rarely mentioned the subject from a purely moral side; but recent field trips and close observations have led us to appreciate forcefully that taxation is having a most depressing effect on all business enterprises.

In the period of war and in the hectic flush era of post-war days, when national security was our prime thought, when sales were easy and profits loomed seemingly large, taxation was not given the same serious consideration that it is now, when competition is keen and profits are hard to make.

The rapidly mounting expenditures of our Federal government, combined with the increasing costs of State and Municipal governments, are staggering to business as well as to the individual.

Taxes are not spread equally over the entire national income. They fall most heavily upon that corporate enterprise from which the increase in our production capital has largely been derived. They are having a most discouraging effect and will seriously interfere with our ability to ward off future recessions and with our recuperative efforts, unless neutralizing tendencies appear and we receive assurances of economies and reforms.

We cannot emphasize too loudly the need of cutting expenditures to the bone. Extravagances in Federal, State and Municipal governments must be eliminated. Business and the individual should not be called upon to pay for anything but absolute necessities. Furthermore, the Federal system of taxation must be revised. It must be made equitable. The spread must be fairer. The abnormal tax on corporations blocks the building up of new capital, discourages investments and savings.

Every taxpayer should rise to the danger and demand a reform in our system of taxation that will give freedom to business and help to restore economic stability.

Let us remember that we make our own taxes. We elect the members of the tax-making bodies, from our school and village boards right up to our Federal legislature. The pressure brought to bear upon them to spend for this and that public cause, which may be commendable enough in itself, must be lifted by the demand of those who understand that our failure to accumulate capital savings is serious, who insist that taxes be cut and postponable projects be delayed until we have been able to accumulate some reserve so essential in laying the foundation of a sound and lasting prosperity for all.

Edwin B. Moran

EXECUTIVE VICE PRESIDENT

THE JUNE COVER

THE account started business on almost entirely borrowed capital and was plowing in a fairly substantial part of earnings to liquidate the original loan.

Largely because of his conscientiousness and determination, from the first year his monthly sales multiplied tenfold. His revenue was on a commission basis. He was operating with a small overhead.

Came a change in the supplier's distribution setup, permitting faster service by the account but requiring larger inventory and more equipment.

Then—the recession.

How the account was helped out of his predicament so that his obligation is now practically fulfilled is told on page 12 by Frank A. Zak, credit manager, Danly Machine Specialties, Inc., Chicago. In the cover picture

are (left to right) Frank A. Furar, treasurer, Mr. Zak and Charles A. Beckwith, controller.

Mr. Furar, graduate of Northwestern University with a bachelor of science degree in business administration, was a certified public accountant with George Rossetter & Company for six years before joining Danly in 1950 as controller. Four years later he was appointed treasurer.

Mr. Beckwith also attended Northwestern and majored in business administration. Like Mr. Furar, he was a certified public accountant and with the Rossetter company seven years, entering the Danly organization as assistant controller.

A biographic sketch of Mr. Zak is on page 12.

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The U. S. House of Representatives has approved H.R. 5747 to amend the U.S. Criminal Code (Title 18 U.S.C., sec. 152) to prohibit potential bankrupts, as well as agents or officers of the bankrupt, from concealing assets *prior to* the appointment of a receiver or trustee. The present law requires proof that such assets were concealed by the bankrupt *after* appointment of the receiver or trustee. The bill is backed by the National Association of Credit Management and its Fraud Prevention Committee.

This is the first time a bill of this nature has been acted upon by a Congressional unit. An identical bill, S 1649, has been introduced in the Senate by the chairman of the Senate judiciary committee, Sen. James O. Eastland. A similar bill was introduced in the last Congress, but got no farther.

A record number of bankruptcy cases—117,000—in fiscal 1960 is anticipated by the Government, said Edwin L. Covey, chief of the Bankruptcy Division, United States Courts, in testimony before a House appropriations subcommittee. He estimated total earnings of $2,494,000 for the Referees Salary Fund in 1960.

Mr. Covey said the budget of the Division called for 10 additional full-time referees, to make the total 112, and for the continuation of 69 part-time referees.

Decrying the false logic of those who argue that "a little inflation is a good thing", Robert B. Anderson, secretary of the treasury, told members of The Associated Press at their annual convention:

"Today our gross national product for the first quarter is on an annual basis of $465 billions. Personal income for the first quarter stood at an annual rate of almost $366 billions. ($368.6 billions, says Department of Commerce—Ed.). Corporate profits for the first quarter of this year are at an all-time high. The Federal Reserve Board index of industrial production has reached 147—another all-time high. (April preliminary figure 149—Ed.)

"If in a period like this we say to ourselves and to the world that we cannot live within our means, everyone has the right to ask: When do you expect to do so?"

Answering with another question, in case Congress is listening: Could even Demosthenes stop a runaway with words?

Charging that "during the 23 years ending with 1957, over $4.7 billions collected by the states from motorists found its way into virtually every kind of governmental activity except roads," and that "paradoxically the Federal government is now the nation's chief offender in this very practice which it condemns," the American Petroleum Institute warns that the Federal-State tax burden on oil products is at the saturation point.

Occasion for the Institute's outburst was President Eisenhower's request of Congress for an increase of almost $1 billion in taxes on gasoline and other oil products, and leasing and patent fees, to help the Federal-aid highway program to a pay-as-you-go basis.

More than one-fourth ($162 millions) of the $603,600,000 of new credits and allocations made abroad in the first half of fiscal 1959 by the Export-Import (EXIM) Bank was extended by U.S. commercial banks, private investors and companies, says Samuel C. Waugh, president of the bank. More than two out of three of the 117 new credits authorized in the period had private participation.

Opposition to President Eisenhower's suggestion for an increase in interest rates on Federal loans to rural co-ops was voted unanimously by the National Rural Electric Cooperative Association, in convention. Instead, the association asked that Congress investigate whether Federal monetary policies have boosted interest rates too high.

Decline of U.S. exports to $16.3 billions, one-sixth less than in record 1957, was a greater drop than the department of commerce had predicted, but trade authorities pointed to the worldwide business recession, to Canada's setback and the slowdown in Europe's rapid growth rate. They noted also the low prices for internationally traded raw materials.

Gradually sharpening competition from European and Japanese producers and world political developments also were cited.

Indication that home mortgage interest rates have leveled off was seen by the Federal Housing Administration in the fact that secondary market prices for home mortgages had held for the second straight month (January)

at a national average of $97.30 on $100 of mortgage amount, after a steady decline from the high of $99.20 set last August.

Government housing officials put it this way: a drop in price of insured mortgages on the secondary market would seem to mean that purchasers seek a better interest yield than the 5¼ per cent FHA ceiling would give at par.

¶ THE Civil Aeronautics Board should raise airline fares if Federal taxes on aviation fuel are increased, Elwood Queseda, Federal aviation administrator, told the five members of the board in indorsing President Eisenhower's statement in his budget presentation that passing such tax increases along to air passengers and shippers would be fair procedure.

¶ U.S. supply of combat-ready long-range missiles should come "within a few" of Russia's by the end of the year, Neil H. McElroy, defense secretary, told the House armed services committee. Furthermore, he declared, from an overall military standpoint the United States has "superiority today" and the President's budget proposals would maintain this superiority through 1962.

OFFICIAL TEXTS — of all mobilization agency regulations may be had, free of charge, by writing the Information Division of the agency involved, Washington 25, D.C.

THE FEDERAL REGISTER—a Government daily publication, which contains full texts of all regulations, is available from the Superintendent of Documents, also at Washington 25, D.C.

¶ SUPPORTED by the U.S. Treasury department, a measure has been introduced in the House by Rep. C. E. Kilburn (R., N.Y.) to give the Federal Reserve Board and Government's bank regulatory agencies supervision over bank mergers. A week earlier, the justice department had proposed that Congress amend the Clayton Antitrust Act to give its antitrust division more authority over such mergers.

The Treasury's plan would be more effective than a change in the Clayton Act, said Laurence B. Robinson, the department's acting secretary. Under the Kilburn bill, the Federal Reserve would supervise mergers of state member banks, and the Federal Deposit Insurance Corporation would cover those involving insured state non-member banks and would permit the controller of the currency to continue to pass on mergers involving national banks.

¶ THOUGH the President repeatedly has expressed hope that taxes may be reduced next year if the proposed $77 billion budget is not exceeded, Robert B. Anderson, secretary of the treasury, told the joint economic committee of Congress that the Administration may not recommend a tax cut even with a large budget surplus, in case inflationary pressures are still in evidence.

"At times of inflationary pressure we should aim at some budget surplus," Mr. Anderson said. "Tax reduction must be weighed against debt reduction. I believe that in years of prosperity we should endeavor to achieve some debt reduction."

¶ WHILE the imports of wool, cotton and rayon textiles will be watched "carefully", the office of civil and defense mobilization in a report to a special subcommittee of the Senate said it had no reason to believe textile imports "have constituted a sufficient threat to national security to initiate an investigation" on OCDM's own motion.

The subcommittee, headed by Sen. John O. Pastore (Dem., R.I.), which last year had held hearings on the plight of the textile industry, had asked for a report on national security implications of textile imports. The subcommittee earlier had called for import duties for protection of U.S. textile producers.

¶ GOVERNMENT officials say national production of goods and services has reached a record rate of $464 billions a year, $11 billions higher than the final quarter of 1958. Predicting similar increase for the second quarter this year, they place the gross national product for 1959 at $470 billions, indicating an annual rate exceeding $480 billions by the last quarter.

¶ UNEMPLOYMENT will drop to 3 millions by the final quarter, from the 4.7 million total in March, says J. P. Mitchell, secretary of labor. In a television interview he predicted "probably the highest level we've ever enjoyed," with a possibility of even some labor shortages.

¶ PLANT and equipment expenditures will show a moderate rise for the first half of this year but then will level off, according to a report by the Department of Commerce and the Securities and Exchange Commission, based upon business plans. The indicated $32 billions of such investment in 1959 as a whole is predicted at 4 per cent higher than last year with its recession.

The newly projected figure for the first quarter was $650 millions more than was forecast by business late last fall.

¶ IMMEDIATE increase in military assistance and a raise next year in money for the Development Loan Fund were recommended to the President by a special committee on foreign aid.

The proposed $400 million increase for military aid would be in appropriations not to be expended for two years, to modernize forces in Europe and in NATO.

Credit Card Magic In Today's Economy

THE near-fantastic spread of the credit card and variant systems, their methods of operation, the widely divergent areas of services offered, and the many impingements on today's economy, are the subjects of the following objective roundup study of a business phenomenon with 5½ million cards estimated in circulation in addition to those issued by the oil companies. And company officials and representatives, first to warm up to potentials of this instrument, now hold almost 50 per cent of the memberships in such organizations.—ED.

By L. E. BERMONT
Associate Editor

Imagine having to carry around several hundred cowry shells, boar tusks or woodpecker scalps to pay for your daily purchases. In their time these served as money. Today, the businessman may set out with a featherweight credit card in his wallet and buy transportation, lodgings, gifts, flowers, rent a car, engage a temporary secretary, phone the home office long distance, purchase clothing, luggage, virtually anywhere in the world—all merely with the showing of his credit card.

Even house and automobile, together with other consumer goods, come within reach with the checks-on-credit bank plans by which the user receives a limited line of credit from the bank and draws checks against it, with repayment to the bank monthly.

Under the bank plans the local retail merchant and residents of the area are chief beneficiaries because the plans promote local trade. On the West Coast, Bank of America, nation's largest banking organization, early this year extended its charge account "Bankamericard" plan throughout California. In New York City, Chase Manhattan Bank, nation's second largest bank, jumped the gun on other banks of the metropolitan area last December with launching of its "CMCP" Chase Manhattan Charge Plan. Chase Manhattan reports extremely gratifying results, sees for itself a potential of 2 million customers, 25,000 merchants, predicts credit card use will increase as did the use of checks.

There now are close to 200 banks in the country which offer charge account or revolving check credit plans. "The 'saucer recession' of 1958 didn't bother the charge account bankers," comments O. C. Lorenz, associate editor, *American Banker*, reporting on a survey of 26 charge account banks for year 1958. "Most of them increased their volume over 1957. Twelve earned over 6 per cent (five earned 10 per cent or more), twelve earned from 1 to 5.99 per cent, and two earned less than 1 per cent but were still in the profit column after all expenses including charge-offs." Fourth-quarter 1958 volume for 32 charge account banks reported in the *American Banker* was $13,507,100, up 10 per cent from the previous year's $12,281,000 for the 3-month period; creditworthy customers under the reporting banks' plans increased from 710,500 in 1957 to 725,200 in 1958.

Back to 1894

Not a credit card but described as a "letter of credit," the unique "Traveletter System," which was originated in 1894 as the Hotel Credit Letter Company by Edgar A. Walz, utilizes a credential known as Traveletter authorization which identifies the company executive, sales or other representative, and authorizes him to cash the "Travelorder" drafts on the company. Drafts are imprinted with user company's name and bank and may be cashed almost anywhere. The company reports over $100 millions in Travelorders are cashed annually by company travelers.

Businessmen were first to become aware of the advantages of the credit card, now so popular there are millions in circulation. Nearly half of credit card memberships to date have been held by company officials and representatives. Logically so, since the prime purpose of money-instruments is to increase the ease of trade, and the man of business through the centuries has carried on the traditions of credit as "the lifeblood of business" and "mirror of the individual's or company's character and past record in meeting obligations."

The credit card is big business today, becoming bigger as new aggressive titans enter the field. Exclusive of the oil companies, it is estimated there are in circulation some 5½ million credit cards, of organizations which issue the card free as a means of promotion of their service (such as the car rental agencies, telephone company, transportation industry), and the all-inclusive comprehensive services, such as Diners' Club and American Express, which charge a fee for the card. Diners' Club in the fiscal year ended March 31, 1959, did $140 million volume, an increase of 54 per cent over 1958. Its 1959 estimate is for over $200 million.

"Firing the boiler" for the full steam ahead credit card programs of diverse companies are the market potentials: corporate expense account spending, estimated by Government at $5 billions a year; the growing ranks of travelers, not only among businessmen but longer-term vacationers and retired individuals; increased leisure time and wider interest in foreign and domestic travel by Americans in general. Diners' Club chairman, Ralph E. Schneider, sees growth of the card with its single-billing feature "particularly among the younger men rising up into the ranks of corporate executives and the need for increased business travel by businessmen and women in general."

American Telephone & Telegraph Company, an early starter in this field, began circulation of Bell System Credit Cards in the late 30's, has

over $1\frac{1}{2}$ million cards in circulation now, finds that while personnel are prime users, "more and more motorists on vacation are increasing their use of the telephone credit card." They call ahead and reserve overnight lodgings.

The salesman can use the phone company's credit service in many ways. He can make calls from a customer's phone, particularly useful for long distance. Public phone booths present no problem of having the right change. Plans formulated by the phone company which have proved especially useful are the "Keytown," "Skip-Stop" and "Sequence Calling Service."

Under the Keytown plan, for example, the salesman goes into the key city and calls the company's customers in scattered towns for orders. Cost of the call is less than driving and parking fee. Conveniences to the company: billing is through a central point on calls made anywhere in the States; headquarters have a medium for checking sales activity and results. The comprehensive credit cards do not provide for charging of telephone calls.

Air Travel Plan

Universal Air Travel Plan, which enables charge-it travel on any of 111 participating airlines, has 800,000 accounts. The airlines do not honor the credit cards of the comprehensive services, but point to their own UAT Plan under which a deposit of $425 permits charging of unlimited air travel on the one deposit account, for as many representatives as a company wishes to have under this program. Some companies have up to thousands of sales and other representatives registered for this credit service.

The UATP deposit account also may be used by the executive's family. No fee is charged for the card service and the deposit is refundable at any time, notes a spokesman.

Rail Travel Credit

Rail Travel Credit Agency, representing 55 Class One railroads in the United States, has been in operation since 1947, reports 300,000 cardholders in 100,000 accounts. Three-fourths of the cards have been issued under company accounts, the remaining 25 per cent under individual accounts. One company has had over 2,000 cards issued for its account. RTCA revenue from this source has increased each year since inception, with 1958 approximately 11 per cent above 1957. "It is assumed from past experience that the year 1959 will also show a substantial increase in this revenue," notes E. B. Padrick, chairman.

Oil Companies Pioneers

The oil companies, among the pioneers in this field, have undoubtedly issued the greatest number of cards. Current figures are not available from most of the companies. There is no charge for the card. Opinion in the industry is mixed as to the benefits to the issuing companies. The mechanical problems of billing and processing hundreds of millions of invoices annually under the system is costly to the issuing company. However, service station operators believe the card helps their volume. Any disadvantages are outweighed because the motoring public tends to buy the products of the card-issuing company, notes one company official. Socony-Mobil Oil Company, which has associated its 32,000 service stations in 43 states with the Hilton Carte Blanche system, is the largest single group and first national oil marketer associated with a general credit card company, we are told.

Car rental card-issuing companies, Avis Rent-a-Car System, Hertz Rent a Car, National Car Rental System, issue their cards at no charge. They honor accredited charge cards of most other services.

Individual hotel card systems have been generally absorbed into the comprehensive card systems. Hotel Corporation of America's 250,000 no-fee card members are now under the wing of American Express, which also has taken over American Hotel Association's "Universal Travelcard," for which 150,000 members paid a $5 annual fee. Statler Hotel credit card system, begun in 1954, has been absorbed by Hilton. Sheraton Hotels now are included in the Diners' Club card. Intercontinental Hotel chain, which has its own card, also is included in the American Express card.

The Comprehensive Credit Cards

American Express, Diners' Club, Hilton Credit Corporation, the giants in the field, are offering a greater variety of services in more places under the one card of each company than ever before. Each provides the five major areas of service: selected hotels, motels, resorts here and abroad; dining and entertainment at restaurants, nightclubs and inns, automobile parts and services, car rentals, facilities to purchase transportation (with exceptions, as noted).

Diners' Club, innovators of the comprehensive type of service in 1950, reports a total of 1 million members, estimates $1\frac{1}{4}$ million cardholders in 1959.

Diners' Club, which features 17,000 service associates in 76 countries which will provide anything from records to office help, recently added Sun Ray retail drug chain to its facilities, and announced plans to expand into nonperishable goods' fields, such as apparel and clothing accessories. Intensified regional expansion in the South and Southwest is planned. Charge for the company's card is $5 a year; additional cards for members of a company or family are $2.50 each.

American Express entered the comprehensive-card field in October 1958, reports over 600,000 cardhold-

(Continued on page 19)

The credit card field opens up a whole new and important area of bank service, one that more and more banks will be looking into in the future, predicts O. B. Bruce, vice president in charge of business development, Florida National Bank of Jacksonville. "Within ten years most of the retail credit business in the country will be done in this manner," Mr. Bruce says of charge account banking.

Benefits accrue to the customer, the merchant and the bank participating in a charge account operation, notes G. L. Toole, vice president, Girard Trust Corn Exchange Bank, Upper Darby, Pa., in an article in *Bankers Monthly*. He cites these advantages to the bank: "new commercial accounts brought in by the plan, gratifying yield earned on bank's capital investment, negligible amount of capital necessary to supply loanable funds necessary, and basis it affords for new correspondent bank relationships."

REINVESTMENT DEPRECIATION

Would Go a Long Way Toward Ending Tax Injustice: Accountant

REINVESTMENT depreciation, if adopted, would go a long way toward righting the injustice to taxpayer and business under the current statutes and practices of the Internal Revenue Service, says Maurice E. Peloubet, partner in New York accounting firm of Pogson, Peloubet & Company.

M. E. PELOUBET

Reintroduced at this session of Congress as H.R. 131 is a measure providing for reinvestment depreciation, which would allow the taxpayer to deduct, as depreciation, the difference between the value of property retired at historical cost and the cost of replacing it today, a plan comparable to LIFO ("last in, first out"). In the LIFO method of costing sales (permitted for tax purposes since 1939) under which the latest purchases are charged against current sales, the taxpayer has available for merchandise inventories a remedy for inflation and price fluctuation, Mr. Peloubet told members of the New York City Control of the Controllers Institute of America.

The allowance of five-year amortization while it was in effect "tended partially to obscure the problem", but "more and more enterprises have become convinced that they cannot continue to maintain their productive facilities if they must pay for a large part of their replacements and maintenance of plant investment with tax-paid dollars where each dollar that has been paid for replacement is a tax-paid dollar which costs $2.08⅓.

"Everyone in business knows the story of the small enterprise which must use a high proportion of long-lived property; for example, a machine shop or printing establishment. Profits are shown and taxes are paid on them; but, when tools and machinery must be replaced, not enough cash is available because the depreciation allowance has been calculated on the fallacious and unrealistic assumption that the same amount of dollars of the same value could be used to replace the machinery as was originally paid for it.

"If nothing worse were happening than a strangling of small business and decline of large businesses forced into unsound financing methods, that would be bad enough. Much worse, however, is the fact that the competitive position of this country compared with either its friends or its enemies is swiftly deteriorating."

The equivalent to the retired property in new investment in depreciable property in current dollars would be determined, under H.R. 131, by an index number compiled by the Secretary of the Treasury somewhat as he establishes indexes for LIFO. Allowance for reinvestment depreciation would be made only when there are both retirement and investment of the equivalent amount in current dollars.

"About $95 billions of a total plant investment of some $300 billions in the United States is considered obsolete, statistics prepared by McGraw-Hill Publishing Company show.

"Naturally, these companies would like to replace this equipment with new and more efficient machinery. This, however, is impossible, particularly with the smaller enterprise, because of the antiquated and unrealistic depreciation methods forced on the American taxpayer by our tax statutes and their interpretation by the Internal Revenue Service."

—Maurice E. Peloubet

Two-Year Carryover

The bill also provides for a two-year carryover, as replacements and retirements do not always take place in the same taxable year. Under the measure any taxpayer electing reinvestment depreciation would automatically give up any rights to capital gain treatment on any gains resulting from the sale of depreciable property.

Application of reinvestment depreciation would cause no current loss of revenue, and would increase the revenue in subsequent years, Mr. Peloubet declares.

A drastic shortening of lives, as recommended by witnesses at hearings on last year's bill, would probably have the same effect, he adds, because, under the heavy backlog of obsolete machinery and equipment, most of the additional depreciation allowed under such a plan would likely be reinvested. However, if the shortening of lives were permitted only on new machinery "there would still be a substantial discrimination against taxpayers using short-lived property".

Full replacement depreciation would be the ideal method, advocates of reform agree, but few, if any, among those acquainted with the legislative and technical complications, see that reasonably possible. Reinvestment depreciation, however, would be a long step toward that goal. That is also the reasoning of those urging shorter optional useful lives of property. Records of the operation of five-year amortization under Certificates of Necessity showed the shortening of lives almost compensated in some years for the difference between historical and current-value depreciation. Hence the two methods are not competitive; both would accelerate depreciation.

Replacement Cost $95 Billions

"Bulletin 'F' of the Internal Revenue Service, with its insistence on physical life and its minute classification of depreciable property, should not be reissued or should be in a different form, based on broad classifications, with substantial latitude and option given the taxpayer," Mr. Peloubet believes.

Replacement of all obsolete facilities in this country with the best new plant and equipment would cost $95 billions (McGraw-Hill survey). "As the total depreciation allowed for tax

MAURICE E. PELOUBET, ***CPA, entered the New York office of Price Waterhouse & Co. in 1911 and attended New York University's school of commerce, accounts and finance. After transfer service in London and European countries he returned to New York and became a partner in Pogson, Peloubet & Company, in 1921.***

Author of "Audit Working Papers", Mr. Peloubet has been vice president and treasurer of the American Institute of Certified Public Accountants, chairman of its board of examiners. In 1946 he received the Institute's award for service. He was a delegate to the International Congresses on Accounting in London and Amsterdam.

Mr. Peloubet has been a consultant to the U.S. War Production Board, on the accounting policy committee of the Hoover Commission fiscal budget and accounting task force, and headed a special mission of the combined U.S. and British chiefs of staff in Europe.

purposes is approximately $12 billions, six years of depreciation on the present base at present rates would be required to pay for what is now obsolete," he observes, "and while this lag was being taken up we would also have six years more of obsolescence on plant now in use. Deficiency in depreciation, measured by the difference between that now allowed and that at the same rates on current value, is estimated between $4 and $6 billions. Any method of depreciation reform therefore should be directed toward eliminating some of the lag in provision for obsolescence and to the closing of the gap between historical and current values in depreciation."

At the committee hearings mentioned there was almost complete unanimity on the nature and seriousness of the problem, Mr. Peloubet points out, with present statutes and practices holding back modernization and maintenance while actually adding to the very large amount of obsolete machinery in use. Whatever the reform proposal, however, new legislation would be needed.

Mr. Peloubet rejects as without foundation the objection that depreciation reform tends to favor the old established enterprise and the one with

(*Concluded on page 22*)

MANAGEMENT AT WORK

. . . . a problem case is solved

By **FRANK A. ZAK**
Credit Manager
Danly Machine Specialties, Inc.
Chicago, Illinois

SEVERAL years ago our company assigned a dealer franchise to an individual in a territory with a good potential. We wanted someone whom we could rely upon to deliver the goods in a highly satisfactory manner.

We are constantly searching for reputable firms to represent our products. Our line of merchandise is generally sold with products for the tool and machinery business. We find that frequently an established firm becomes aloof to certain lines and fails to promote our items vigorously and continuously, so we try to locate a representative who is relentless in his efforts to push our goods.

We were confident that this man met those qualifications. We respected his ability, integrity and honesty.

Our confidence in him soon paid off with sales increases, and from the first year the monthly sales multiplied tenfold. This increase in sales was inspired by several factors. The conscientiousness and determination of the individual was probably the most important contribution to the added earnings. The characteristic in his makeup which caused him to give unstintingly of himself in time and effort was another contributing factor. His sales and administrative policies were conducive to sound and practical business operation.

Prior to our subject's current venture, he had been employed as a sales engineer for an industrial supply house that had featured our merchandise. He had faith in our product and felt that his employer was not promoting it properly, so he decided to divorce himself from that affiliation and exploit the line on his own.

His business was started on almost entirely borrowed capital, and from its inception considerable progress was made. A fairly substantial portion of the earnings was being retained in the business. His financial statements revealed that drawings were being kept to a minimum, with the bulk of the profits utilized to liquidate the original loan.

The operation was simple. Orders emanating from this representative were processed and the product shipped from our plant direct to his customer. His revenue was a commission on all sales transacted in his territory. A modest inventory for emergency orders was kept at his warehouse; consequently he operated with a small overhead.

Distribution Program Changed

However, about nine months ago a change in the manner of distribution of our product was adopted. It was now possible for the dealer to carry sub-assemblies of the product in his warehouse so as to facilitate more efficient sale of the finished product to his customer. The new arrangement provided more effective and quicker service to his account, and ultimately a larger sales volume for our mutual benefit.

This new procedure of distributing the product via sub-assemblies brought about several changes in the internal financial condition of the dealer. It created a need for a larger inventory and an increased amount of equipment. This strained the working capital and made progress a trifle more difficult. The complication was aggravated during this period by the advent of the recession.

The machinery and equipment manufacturers and their affiliates were particularly hard hit during that economic slump. Our representative was affected quite seriously when a decided change developed in his accounts receivable. Accounts that had been discounting were now taking 30 to 60 days to liquidate their indebtedness. Marginal accounts, so necessary in the present day highly competitive business structure, extended their delinquency to four, five, six and more months.

Bank Credit Exhausted

Our friend began to feel the squeeze but was determined to force his way out of it. We saw the futility, and to avert a collapse we decided to attempt to rectify the situation. A meeting of the minds was in order. A conference was hurriedly arranged.

At the meeting, the dealer revealed that he had exhausted his credit at his bank; the officers had insisted on too large a collateral for a loan. He was unable to offer a solution for the predicament he was in, and asked us for an answer.

His account with us at the time was delinquent approximately three months. We suggested to him that a series of 12 monthly notes, due the last day of each month, be drawn to amortize the indebtedness. The

HOLDER of the Executive Award of the Graduate School of Credit and Financial Management (Dartmouth 1958), National Association of Credit Management, Frank A. Zak since 1941 has been on the staff of Danly Machine Specialties, Inc., Chicago.

The last 15 years his services have concentrated on credit and collections. He is credit manager of the company.

current month was included in this agreement with the three delinquent months. We further proposed that subsequent months' invoices be honored on the tenth of the following month for the duration of the notes.

Obligation Fulfilled 100 Per Cent

Our dealer was gratified with the suggestion, to the extent that he insisted on paying interest on the principal being amortized.

We had confidence in our dealer, because of his excellent character, and we were certain that the plan would work out to mutual benefit.

We are pleased to report that our representative has fulfilled his obligation virtually 100 per cent. There were a few months in the recession when an extension of a few weeks was requested, and readily granted.

Our action and program for him, we are certain, has made us a lifelong friend and business associate.

Setup of First Small Business Investment Companies Licensed

The first two licenses to small business investment companies under the new SBI Act of 1958 were issued by the SBA to the First Midwest Investment Company, Minneapolis, and the Citizens and Southern Small Business Investment Company, Atlanta.

The Minneapolis company, operating entirely on private capital, will provide long-term and equity financing, and management counseling, for small businesses in Minnesota, Wisconsin, North and South Dakota. Alan K. Ruvelson is president. The Northwestern National Bank of Minneapolis holds a 5 per cent share in the company, which has an initial capitalization of $315,000.

The Atlanta company will operate only in Georgia but plans six branch offices. Mills B. Lane, Jr., the chairman, is president of The Citizens and Southern National Bank. Hugh W. Fraser, Jr., is president of the investment company, initially capitalized at $325,000 but planning to add $500,000 by sale of stock.

A detailed report of a panel discussion of the Small Business Investment Act, sponsored by the Credit Managers Association of Northern and Central California, was printed in the April issue of CREDIT AND FINANCIAL MANAGEMENT.

Tabulating, Visual Record Equipment Combined in Alpha-Numeric System

Factoring is a competitive business—and the control a factoring company has over the costs of maintaining its receivable records is a vital element in determining that company's competitive position. William Iselin & Company, Inc., oldest and one of the largest factors in the United States, recently installed a mechanized system of handling receivable accounts that is speeding operations and enabling it to handle larger volumes of paperwork at lower cost.

E. G. BENSER

Factoring has been defined as a method of financial operation which brings immediate cash payment to a seller for goods sold on credit, gives him payment in advance for sales which he plans to make within a specified period of the future, guarantees him against credit loss on all merchandise sales, with the factor performing the services of extending credit and collecting bills for manufacturers at a predetermined rate.

2,000,000 Invoices a Year

In deceptively simple terms, the paper work involved in factoring is as follows: the factor takes over the manufacturers' invoices, establishes accounts receivable records, and follows up for collection. The complexity becomes apparent when it is realized that William Iselin & Co., Inc., services some 250,000 customers and processes more than 2,000,000 invoices a year.

As the control over the handling of this volume of invoices is a vital profit factor in the industry, this company has long sought to develop a system that would be economical, fast and error-proof.

At Iselin—as among other factoring companies — the traditional method was to have a clerk manually post accounts receivable ledgers. When the cash payment was received, this was again posted manually. This operation was later taken over by a bookkeeping machine.

Alpha-Numeric Code System

A few years ago, E. G. Benser, assistant controller of C. I. T. Financial Corporation (the parent company of Iselin), developed a mechanized system using tabulating machines. However, in order to obtain maximum utilization of a punched card accounting system it was necessary concurrently to develop an effective alphanumeric account coding system. This Mr. Benser has accomplished by combining existing tabulating equipment with Acme Visible Record equipment tailored to Iselin's needs.

Basically, Mr. Benser's problem at Iselin in operational terms was to set up a *visual* system for accounts that would be compatible with the existing tabulating system.

As invoices come in, they are written on printed forms that must be verified and coded. Without verification, duplicate accounts could be opened up. For this, a visual reference is necessary. Yet to process these accounts, the tabulating department requires punched card data on them. A cross-reference had to be set up between the two different kinds of systems.

For tabulating purposes, number identification of accounts was essential; and for verification purposes alphabetic identification was needed. The new system, therefore, had to be based upon number identification of accounts yet be alpha-numeric in character.

After considerable study, it was decided to set up a 6-character customer code of 2,000,000 numbers prefixed by an alphabetic character. This gave Iselin an account number by which to identify each customer *and* an alphabetic sequence of accounts by name.

To implement this system, Iselin installed a bank of Acme Visible Record Rotary Files that would make punched cards immediately available to visual checking for account name and address under the alpha-numeric system. *(See opposite page)*

FACTORING COMPANY of William Iselin & Company, Inc., combines tabulating equipment with Acme Visible Record equipment to process its more than 2 million invoices a year. For every account a card is keypunched for routing to these Acme Visible Record Files for use in visual identification. A number is assigned to the card so that it can be processed mechanically, and visual identification is provided so that personnel can locate an account by name and address in a matter of seconds without knowledge of the related account number.

The Acme Visible Record File enables Iselin to take a tabulating card on each of the company's 250,000 accounts and simply file it in the rotary file. Giving the effect of a line-by-line vertical record, the file can be added to or subtracted from as the business picture changes. The combination of vertical listings and vertical files enables the clerk to visually take the data from the card without thumbing or pulling cards from the files.

How the System Works

As the system now works, when an account is set up, a card with identifying name, address and code number is key-punched on the company's IBM key punch equipment. From this original key punched tabulating card record, three additional tabulating card records are automatically reproduced. One card is retained by the tabulating department for use in daily processing; one card is filed in the open accounts receivable file in order to facilitate location of the accounts either by number or name and address; one card is routed to the Acme Visible Record file for use in visual identification, and the remaining card is filed numerically in a separate cross-reference file.

The number is assigned so that the card can be processed mechanically; the visual identification is provided so that the personnel can locate an account by name and address in a matter of seconds without knowledge of the related account number.

As invoices come in, they are routed to the visual file where they are checked against the account name and address on the punched card. If this is verified as correct, the code number on the card is assigned to the invoice. Each invoice is thus assigned a verified account number and is ready for processing.

With 10- to 20,000 receivables arriving every day, the speed in verification and coding made possible by this system is cutting down per-unit clerical costs and permitting William Iselin & Co. Inc., to handle an ever-increasing volume of business.

It takes rough seas to make good sailors and great captains.

—Anonymous

Diversifying Spells Troubles to Inexperienced Management; Six-Step Program Is Proposed

By HOWARD N. FEIST, Jr., D.C.S.

Management Consultant

Wellesley Hills, Massachusetts

IN THESE TIMES of reduced earnings, profits frequently appear greener in other fields of industry.

H. N. FEIST, JR.

Pressured by stockholders who expect a greater return on their investment, inspired by success stories of managements who have pyramided individual companies into industrial empires in the past ten years, and aware that their corporation has cash reserves and abundance of credit, management decides diversification could be the answer to many problems.

Unfortunately, most managements have had limited experience in carrying out a program of diversification, are limited in their knowledge of other industries, and plan to assume the burden of a diversification program on top of their already heavy schedules of day-to-day administration. This is where trouble begins.

Not Like Buying a House

Announcement of the company's intention to diversify is frequently made at the annual meeting or in the annual report. This puts everyone on notice that the company is actively seeking to acquire other companies, product lines, or is seeking product ideas to develop internally. Although this idea appeals to the stockholders, they have little concept of what is involved. Many think in terms of a major purchase for themselves, such as a house. You look at a few and finally select one that looks attractive to you. Your lawyers see that everything is in order and, provided you have the necessary cash, there is no problem. When you later want to change to another house, you merely sell the one you have and buy another, repeating the process.

If corporate diversification were as simple, there would be no huge losses in spinning off subsidiaries as was recently experienced by Penn-Texas management or the Bellanca Aircraft management. Mistakes can be very costly, and it is a wise management that determines to tread lightly.

Diversification takes time; a year or more goes by with nothing to show in the way of a new product line or a new subsidiary. Today there are many companies which served public notice one, two, or more years ago of their embarkation on a program of diversification, but to date nothing has happened. As time passes, pressure from stockholders increases and management appears incapable of carrying out the program promised.

THE accompanying article on diversification, by Howard N. Feist, Jr., is based on his experience with business statistics organization as a vice president under Roger W. Babson for five years and on the author's consulting experience the past decade.

Mr. Feist, graduate of Princeton University and Massachusetts Institute of Technology, holds a degree of doctor of commercial science from Harvard Business School. He also did staff work for Arthur D. Little, Inc., and served the U.S. Foreign Operations Administration.

The major weakness in most programs is lack of scientific approach to the problem of diversification. Armed with confidence in their own business abilities and knowledge of investment values, backed by their own accountants or auditors who can verify any figures submitted by a prospective seller, and supported by their own legal counsel who can button-up all legal angles, management is ready to look at any situation offered.

Preliminary screening is frequently done by a key executive, sometimes the president or treasurer, and then referred to an acquisition committee. The time of these men is valuable, and to screen a company adequately with a view to acquisition takes considerable time. It also frequently involves a learning process on the part of the acquisition committee as well as the key executive.

Time-Consuming Task

After screening many situations, some of which have been available for years and have been "shopped" with anyone who would take the trouble to look at them, management realizes that this is a time-consuming task to have piled on top of the regular work load.

The key executive begins to believe the statement that for every 100 situations screened, perhaps ten or less will be of sufficient interest to carry beyond the initial screening. Of these ten, if he is lucky, he may find one that progresses to the point of actual negotiations.

There is a story to the effect that two of the corporate empire builders met in a hotel one weekend, each with his own suitcase full of prospective acquisitions. They screened them together, each passing to the other the ones that he discarded, and jointly discussing the ones each wanted for himself. And a year later not one of the companies screened that weekend had been acquired by either of the men.

Profiting from Experience

Management profits from the screening experience and develops ideas of values, of its company's needs, and becomes increasingly adept at discarding situations after a surface glance points out some factor which management from experience has determined to be a disqualifying feature. For instance, it may be decided to eliminate from

consideration any company which has a record of losses. Automatically, management begins to develop criteria for screening diversification opportunities. But this is a negative approach, an approach developed through the waste of valuable time in both passage of time and use of key executive time and talent. How much wiser it would be to have a planned program from the start, a positive approach.

A six-step outline for a program of diversification is presented here. Management may conduct the program itself or call for assistance from an outside organization experienced in this field, such as Arthur D. Little, Inc. of Cambridge, Mass., with nationwide offices, or Barrett & Co. of Providence, R.I. In any case, following these steps will yield untold savings in time, money, and frustrations.

SIX-STEP PROGRAM FOR DIVERSIFICATION

1. Determination of Diversification Objectives
2. Selection of Areas of Interest
3. Location of Diversification Opportunities within Prescribed Areas of Interest
4. Evaluation of Acquisition Opportunities
5. Conduct of Negotiations
6. Follow-up and Reappraisal

Step One: Determination of Diversification Objectives — Only by putting down on paper and carefully analyzing the reasoning behind the desire for diversification can management be assured the program is good. Management's background and philosophy play an important part at this stage. Some men are unwilling to pay more than book value for any situation and seek via the diversification program to purchase companies with potential at far below their net worth, with a view to rehabilitation of the company and improvement of the earnings record. Others take just the opposite tack and seek excellent earnings, with a view to expanding the company and broadening the base of the earnings. Sometimes analysis of one's own industry and company shows that diversification is really not the goal of management but rather a symptom of another corporate problem.

Any program should commence with self-analysis by the company seeking to diversify. This includes careful appraisal of one's own industry prospects, management abilities, and overall corporate strengths and weaknesses. From such appraisal it is possible to develop some functional needs which will be satisfied through diversification. At this stage the timing and importance of diversification can be appraised. Companies which purchase going concerns at the peak of profits and operations, only to be caught in the whipsaw of the business cycle, learn timing the hard way.

At this point, consideration is given to the company's management experience and abilities, such as basically strong merchandising or production management. The marketing and production abilities, financial background and strength, research and development experience, plant and facilities, labor market, and other intangibles are all fed into the diversification mix, and from the conglomeration of factors considered is drawn up a set of objectives which form the basis for diversification and confirm the need for such a move.

Step Two: Selection of Areas of Interest — With the objectives clearly defined, management is now ready to explore the broad areas of industry to satisfy these objectives. Unless management has had wide experience in many industries, assistance is frequently required at this point. However, the lack of knowledge can be overcome through careful and detailed industry analysis and study. Those industries are selected which appear to have surface interest. For instance, a textile machinery firm strong in production know-how might want to look carefully at the machine tool industry.

Within the framework of the industry selected, product areas are next given consideration. Following the textile machinery manufacturer cited, a product might be sought with low or medium volume runs, growth prospects, and stability of market. Here specific product areas are se-

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lected as highly desirable for consideration.

Step Three: Location of Diversification Opportunities Within Prescribed Areas of Interest— Now is the time to contact bankers, brokers, stockholders, directors and others in a position to direct you to concerns available within the prescribed areas of interest. Defining these areas saves management the time and effort involved in looking at a lot of outside situations. It also prevents management from purchasing a company which looks like too good a "buy" to pass, even if it does not satisfy the objectives.

A more significant advantage of channeling the approach to carefully selected product areas is that more situations are presented than if management merely made a general broadcast of interest. Many closely held family concerns operating profitably could benefit from a sale or stock transfer from a tax standpoint, but the principals are reluctant to put their companies up for sale because of effects on the business. When they are told of a company interested in their company, they are willing to consider a proposal which might work to mutual advantage even though they would be unwilling to offer their company to another corporation merely embarking on a general program of diversification.

Step Four: Evaluation of Acquisition Opportunities—This is a broad area, one in which management perhaps has the greatest capability, as management knows values and has its own ideas of appraisal. Stability of earnings, importance of management know-how and contribution to earnings, book value, earnings in relation to investment, technological factors, growth trends, competition, reasons for sale, all are among the factors considered in making an appraisal of a prospective acquisition, in addition to meeting the diversification objectives laid out in step number one.

A mistake or misjudgment at this point can be costly, as once the investment is made it is impossible to get it back to put into a more promising situation next month. An opportunity missed is not an out-of-pocket loss; an acquisition poorly evaluated can become a loss.

Timing in relation to value is important. A company which meets all requirements may be too high-priced to represent a good investment, but the price may be reduced if economic conditions indicate a change in level of industry operations and earnings. The stock market gives full credence to this statement. Growth stocks should not be purchased at prices which already include a fat premium for growth not yet realized. Nor should a growth company be purchased for a price which includes a premium for growth which may never be attained or may be attained only at great expense of effort and investment by the purchasing management.

"Time spent in defining objectives of a diversification program and in delineating areas of interest will save countless hours of undirected discussion, minimize mistakes and afford greater acquisition opportunities."

Howard N. Feist, Jr.

Step Five: Conduct of Negotiations — With the evaluation completed and the desire to acquire the company established, the next step is to develop a plan of acquisition of mutual advantage. This may take many forms, such as employment contracts, exchange of stock, cash, royalty arrangements, commission arrangements, sale of assets. Here an experienced law firm with tax experts is of major importance.

Step Six: Follow-up and Reappraisal — If negotiations fail to materialize in a sale, for reason of price disagreement or otherwise, the failure should be reviewed to determine the mistake, if one was made. There is the possibility of purchase at a later date. If the concern is sold to another party, compare your plans with their operation of it and attempt to evaluate your own judgment. How well has the other buyer done, and would you have done as well? If you can profit from someone else's mistake at his expense, so much the better. If you made a judgment which time proves erroneous, it is best to profit from it through follow-up and reappraisal of the events which led to the mistake.

By adequate planning from the start, management will find that the time spent in defining objectives and in delineating areas of interest will save countless hours of undirected discussion, will minimize mistakes and afford greater acquisition opportunities. Only through careful planning can management reap the benefits of a diversification program and find the greener profits in other fields of industry.

Sees Record $470 Billion Top In Output of Goods, Services

Output of goods and services in 1959 may reach a new record of at least $470 billions, demands for investment funds are likely to be at least as high as in 1958, and bank loans are expected to advance with the prospective increase in the working capital requirements of business and the resumption of expansion in consumer credit, notes Roy L. Reierson, vice president and chief economist, Bankers Trust Company, New York, in the bank's annual 54-page "Investment Outlook for 1959."

For some time ahead, the Treasury in all probability will need to rely heavily on short-term financing to raise needed funds, the report notes. The "crucial problem" in the credit picture for 1959 "is meeting as much of the Treasury's financing requirements as is possible outside the commercial banking system."

Among other factors noted in the outlook for 1959: A smaller aggregate in corporate financing for the year is expected, due primarily to the recent improvement in liquidity resulting from the sharp recovery of profits.

Demands for mortgage money are likely to exceed last year's level by a significant margin. The expansion of mortgage debt is likely to be second only to the peak year 1955. "While some slackening may develop in the course of the year, the number of privately financed homes put under construction in 1959 is expected to total well above 1.2 million."

BUSINESS PHENOMENON—THE CREDIT CARD

(Continued from page 9)

ers. Calling its card "Passport to World Service," the company is equipped with the resources of 108 years of world travel and other services such as travelers cheques, overseas commercial banking, foreign traffic and remittances. It points to over 32,000 associated establishments displaying the gold-and-black American Express card emblem in the United States, Hawaii, Canada, Mexico, Central America, Bahamas, Bermuda, Puerto Rico, the Caribbean and elsewhere.

In addition to the major services, the company offers a wide miscellany of charge-it facilities, such as color-film purchase and processing, tobacco, books, toys, messenger service, theatre tickets, food specialties, haberdashery, teenage clothing, private and business aircraft service and maintenance at 25 airports in 37 states, portable dictating machine rental on a "rent it here, leave it there" basis at any of Dictaphone Corporation's 259 offices, books of car parking tickets for use at all Kinney parking lots from Maine to Florida, temporary secretarial service through Kelly Girls.

American Express aims to provide its cardholder with the broadest range of services. However, the transportation companies have not yet agreed to honor the American Express card direct.

Cost of the American Express card to the user is $6 a year per account, plus $3 for each supplementary card on the same account for either business or family. Cardholder is billed monthly on cycle billing, due on receipt.

Hilton's "Carte Blanche"

Hilton Credit Corporation, operator of its own chain of hotels here and abroad, dates its comprehensive "Carte Blanche" card operation from the spring of 1959, counts approximately 1 million cardholders. In 1957, according to Conrad N. Hilton, president of Hilton Hotels Corporation, 30 per cent of the corporation's approximately $200 million gross originated in credit. The Carte Blanche has over 6,000 participating establishments with 40,000 outlets in the United States, Canada, foreign countries. Hilton establishments do not honor the American Express credit card.

Pioneering with a "new and different credit card service," Hilton Credit Corporation "pays its associates immediately in cash for the charge slips of its cardholders," says it "offers the lowest discount rate in the credit card industry, permitting participating establishments to turn over their credit problems at a cost less than their own credit processing." The company started with a completely mechanized electronic accounting system, "thus realizing material savings and high efficiency." The Hilton custom-built IBM system is equipped to handle 500,000 credit-card charges, 150,000 statements a month.

For Carte Blanche card, if used only at the Hilton hotel chain, there is no charge; for use at associated establishments there is a $6 annual fee.

For business, the Traveletter has certain features not available in the credit card. Users of the credential may be any company with from one

American Express, in its new credit card operation, has pursued a traditional policy of "non-exclusivity." The aim is to provide its credit card holder with the broadest range of services to insure his being able to utilize his card wherever and whenever he should desire, or at least approach this goal as much as possible.

to thousands of employees. The credential contains the name of the person for whom it is issued, the name and location of the bank at which drafts drawn under it are to be presented, and the weekly limit of the amount of such drafts (unusual expenses, such as expensive automobile repair work, are provided for). Cash is not tied up in heavy advances; periodic checks to field personnel are eliminated, Travelorders create immediate cash, home office does not have headache of processing tardy bills. Cost is nominal; for example, Traveletter authorization for $50 a week costs $6.50 a year. Traveletter issues a directory of 5,000 correspondent hotels and motels in North America.

The tax ruling effective 1958, that

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THE CREDIT CARD IN TODAY'S ECONOMY

(*Concluded from page 19*)

expenses must be itemized, gave impetus to the credit card program (Diners' Club figured it increased the number of its cardholders one-third over the normal in the three-months' period following issuance of the ruling, with companies making up the largest share of new accounts.)

"The public wants them," comments Hertz Corporation president Walter L. Jacobs. For companies and individuals, these are among the cited advantages of the card:

Single, centralized billing simplifies accounting, gives better control of expenses incurred by travel personnel and by those who entertain regularly. Bills, statements are rendered to home office.

Detailed records are available to support tax claims for deductible expenses.

Expense reports may be audited more carefully. Employees cannot pad hotel and other bills.

Card provides identification, establishes credit reputation.

Speeds service, expedites cashing of checks, shortens checkout time.

Aids credit processing, since service establishment accepts card as indicator of reputability.

Relieves individual of responsibility of carrying large amounts of cash; overseas, reduces need to make change in various currencies.

Speeds up handling of expense accounts; signed receipts obtained after each transaction permit detailed expense account preparation without waiting for monthly credit card statement.

Some companies consider the card a fringe benefit to employees.

What Credit Card Critics Say

Credit card plans have drawn opposition, too. The systems have given rise to such criticisms as "on-the-cuff living," "expense account spending," implying a recklessness toward debt incurrence, intemperate "living it up."

One travel organization, which calls itself the "cash only" system, charges after a survey that the current "credit card craze" has "upped the bills of users as much as 100 per cent, with an average per head of 25 per cent," and concludes that "credit is expensive."

Travel agents and restaurants are complaining about the "bite" out of their profits, to pay the fees to the credit card companies. A number of restaurants in New York, Cleveland, Seattle are reported breaking away from the services because of the profit-splitting; some claim the added expense is forcing them to boost their prices. (Card companies retort that the increased business the card brings them permits lower costs to the service establishment). In Seattle a group of restaurants calling themselves "select restaurants of Washington" have broken loose from Diners' to form their own service group. Seventeen Cleveland restaurants warn they will withdraw from the credit card operations later this year upon contract expiration.

Meanwhile, executives in industry and the professions say credit cards are making it easier for reputable persons to do business with each other. John Q. Public is ready to seize every opportunity to "take his established credit reputation with him wherever he goes."

"The comprehensive single-billing, single-payment credit card business can be expected to increase by approximately 50 per cent in charge volume during 1959," declared Ralph E. Schneider, chairman of the board of The Diners' Club, Inc.

Predicting new records in the number of cards in use and gross volume of charges, he pointed out that this type of consumer credit will account for a larger share of the nation's non-instalment credit purchases which currently account for a monthly total outstanding of approximately $10 billions.

Not Economic Threat—Yet

Despite their gains, the Russians "are not at this time an economic threat to the United States," but "there is no reason for us to be satisfied with a rate of growth that falls to any degree short of what we are capable of attaining," says the National Association of Manufacturers in "A Glance at the Russian Economy."

Prices Jammed Between Wage Rises and U. S. Support Rigidity

The chief inflationary threat is not in the size of the Federal budget but "comes from an upward push of wage costs on prices, combined with government price supports and other rigidities that prevent many prices from falling," says Neil H. Jacoby, former member of President Eisenhower's Council of Economic Advisers.

The dean of the graduate school of business administration, University of California at Los Angeles, called for a five-area program to stop inflation, at the annual Management Conference of the University of Chicago.

The five areas and Mr. Jacoby's recommendations are:

1. *Labor*—Apply antitrust laws to such cost-increasing union practices as feather-bedding and unreasonable entrance requirements. Also, regulate internal union affairs.
2. *Agriculture* — Change policy from price support to support of incomes of marginal farmers until they can be relocated in industry.
3. *Trade*—Reduce tariffs and import quotas "which have kept up domestic prices and sheltered inefficiency."
4. *Stockpiling*—Revise "to prevent national security from becoming a cloak for governmental price-supporting operations."
5. *Taxes*—Reduce the uppermost brackets of Federal personal income taxes and the 52 per cent corporate income tax.

Mr. Jacoby traced "disappointing" results of recent moves to check inflation to reliance on monetary and fiscal restraints instead of attempting to increase the economy's structural flexibility and efficiency.

Says Credit and Cash Buyers Spend Same in Certain Fields

Users of credit spend no more than those who pay cash, for household appliances, home improvements and autos, if their incomes and background are similar, says Dr. James N. Morgan of the department of economics, University of Michigan. Analyzing interviews with 16,000 consumers, Professor Morgan writes in the *American Economic Review* that most consumers spend 8 to 10% of their income for these items.

Don't Use Government as a Crutch, Economist Warns Builders of Homes

Home building industry's growing tendency to base its business decisions less on market considerations than on supposed effects of actual or anticipated governmental decisions "is a blow to free enterprise," and "if it continues in the same direction, the homebuilding economy will become as dependent on government support and protection as is the agricultural economy," Miles L. Colean, Washington economist, warned at the 56th annual savings and mortgage conference of the American Bankers Association, in New York. Furthermore, "the government will have created for itself and for the taxpaying public an incubus that may make that of its agricultural operation seem mild by comparison." Then "builders will build what Congress guesses they ought to build" rather than what the market demands. "The more government intrudes into an economic activity, the more unstable and unpredictable that activity becomes." The speaker termed the fluctuations of FHA and VA activity 'contrived instability'.

"Moral Obligation": Sparkman

"It is my opinion that the Federal Government has a moral obligation to assist the people of the nation in meeting their housing needs," Senator John Sparkman (Ala.) told the bankers. "Using this hypothesis," he said, the Government "has the responsibility to provide a forum for public discussion and examination of the problems and proposed solutions of the people's shelter needs; to provide necessary leadership; to provide assistance necessary to achieve agreed-upon solutions where achievement cannot or will not be realized without Federal help."

The Market Potential

Pointing up the potential market for banking services in these indicators: "estimated 1975 population which may exceed 225 million, per capita income 50 per cent higher than at present, and national economy doubled in size," Louis B. Lundborg, president of the savings and mortgage division of the ABA, urged banks to "go after business harder than ever, because our competitors are after it too, with new ideas and new resourcefulness." Mr. Lundborg is vice president, Bank of America NT & SA, San Francisco.

There are unlimited opportunities for banks in the mortgage field, said V. R. Steffensen, senior vice president, First Security Bank of Utah NA, Salt Lake City, who counseled a "wide-awake mortgage lending program" by the banks. "It is high time" that they "become more active in this extremely important field," he admonished. Mortgage debt now ranks in volume second only to that of the Federal Government.

Methods Analysis

Methods analysis is a tool which permits management to make more intelligent decisions, to control expenses, and to maintain its competitive position, John B. Van Haelen, of Office Methods Analysts, Inc., told the bankers. The "working supervisor," lowest in the levels of management, too often is neglected, though he "has many responsibilities other than producing work," he said. "Are you paying them to be glorified clerks? If you are, then in all probabilities you are paying far too much for some of your clerical work."

Noted in the annual publication "Savings and Mortgage Statistics": Individual savings grew to an estimated $288.5 billion at the end of 1958 from $5.149 billion in 1900. In the period 1948-58, the number of depositors with time accounts in banks increased from 60 millions to 80.15 millions.

Rudolph R. Fichtel, director of the public relations council, American Bankers Association, has been named deputy manager of the association and secretary of the savings and mortgage division, to fill the vacancy left by the death of J. Raymond Dunkerley. Dr. Kurt F. Flexner, who joined the association staff February 1 as director of mortgage finance, will be in charge of all mortgage work for the ABA. Merle E. Selecman is executive vice president and executive manager of the association.

REINVESTMENT DEPRECIATION

(*Concluded from page 11*)

a higher proportion of depreciable property. As for the objection that it would be unfair to provide relief from inflation to users of depreciable property and not to lenders at fixed interest rates, Mr. Peloubet's rebuttal is this:

"Depreciation reform is not a means of relief from the effects of inflation. It is a method of avoiding discrimination in rates of tax between different members of the same group or class of taxpayers, namely, those engaged in a trade or business.

"Except for this group of taxpayers the present income tax laws do not discriminate between members of the same class or group. One class or group of bondholders or mortgagees is not taxed differently from another. But a business operating without inventories or depreciable property is taxed at 52 per cent on current income while another business using depreciable property is being penalized by being taxed at effective rates of 75 to 100 per cent on current income."

As for lenders, "it is doubtful whether there is any lender so ignorant as not to realize the risk he takes of decline in the value of the dollar when he purchases or acquires a fixed interest obligation or lends at a fixed interest rate. Responsible and expert investors would hardly seem to be in need of special government protection.

"Lenders as recipients of fixed income all suffer proportionately from inflation. If these taxpayers need relief it is protection against the effect of inflation itself, a very different and much more difficult objective, one which reinvestment depreciation does not attempt to reach."

Current Dollar Evaluation

To place all taxpayers engaged in a trade or business on the same basis so far as income from operations is concerned, "we must, so far as possible, calculate their income in current dollars, that is, in present-day dollars all having the same value. As soon as we introduce into a business either merchandise or supply inventories of any significant amount of depreciable property the situation changes. In inventories, LIFO supplies the answer by applying current costs against current sales.

Time Lag Is Longer

"The only other item of importance in the income account of a manufacturing or trading enterprise not paid for in current dollars is the cost of used-up or expired long-term property, that is, property subject to depreciation. Prices on property of this sort fluctuate from year to year, and the cumulative fluctuations over several years are substantial.

"The time lag here is much longer than with merchandise inventories. Furthermore, the property which replaces that which is used up or expired is frequently somewhat different from that which it replaces, while items in inventories at either end of the year are likely to be quite similar."

Principle Is The Same

These, however, are only differences in detail, Mr. Peloubet emphasizes. "The principle is exactly the same for inventories and depreciable property. The manufacturer must get back from his customer the current cost of the machinery used up in production if he is to maintain his plant and equipment. Regardless of the details of the specific method or device by which the current cost of plant and equipment consumed is recovered, the fact remains that this cost is the only item of cost in a manufacturing or trading income account which the taxpayer is not permitted to express in terms of substantially current dollars for tax purposes.

"What the victims of the present narrow, restrictive and discriminatory depreciation methods want is a chance to do their full duty to the country and its economy."

The only progress some people make is when they are in a crowd and are pushed ahead.

—N. A. Rombe

PAST PRESIDENTS HONORED by Detroit Association of Credit Management. STANDING (l to r): H. D. Palmer 1939, W. A. Petzold 1911, E. R. Ailes 1920, R. D. Andrew 1940, F. L. Christian 1926, V. F. Hutchins 1934-1935. W. H. Cook 1936, J. C. Hoffman 1952, A. A. Beste 1950, H. J. Lowry 1942, H. L. Cottrell 1953, A. G. Campbell '46, J. E. Gibbons 1957, H. A. Gagnon 1956, Fred Flom 1954, J. H. Frazier 1943, C. G. Bunting 1955. SEATED: F. H. Schrop, NACM; T. R. Stansberry, vice president, Detroit Association; Glenn Massman, speaker; H. W. Dugdale, vice president; I. D. Stewart, 1958 president; L. F. Davis, secretary-manager; D. H. Wilson, director; Robert Johnson, chairman of credit education; Kamma Lambert, Credit Women's Club.

Selling Management First Step to New Equipment

Complete Survey Advised, to Show Definite Cost Saving to Result

By J. P. DECKER
Assistant Comptroller

Associates Investment Company
South Bend, Indiana

WHEN a new office product or procedure seems at first glance to offer intangible advantages only, it is not easy to sell yourself — and top management — on the wisdom of the indicated change. More complete study, however, may indicate very tangible cost savings that will add weight to your argument.

J. P. DECKER

Such was our recent experience when we considered installation of a new duplicating system in our billing department. We thought the major benefits would be more pleasing working conditions for the women who operated mimeograph equipment. The job would be cleaner and less tiring, and we probably would have less personnel turnover as a result.

But how much value could we put on these intangibles?

Study Proves Cost Savings

Before trying to answer that question, we further investigated the proposed new procedure to see if it offered other advantages. Our study disclosed a number of cost savings we hadn't seen the first time around, savings that over a two-year period would more than equal the cost of new equipment. They presented a compelling reason for change, aside from all intangibles.

Moreover, we found that "better working conditions" could be measured in a very specific way. After the installation, work output increased 20 per cent in a short time because the new equipment was easier to operate and the women employees were more relaxed.

The change we sought was from conventional mimeographs, modified to accommodate the variety of forms we reproduced, to specialized sit-down mimeographs designed for systems users.

As one of the largest automobile financing companies in the country, we probably are also one of the most paperwork-conscious. There are 10 to 15 records entailed in every auto financing transaction, and that means thousands of forms a day that must be mimeographed at our South Bend headquarters.

Our procedure is rather complex, involving the duplicating of six records all varying in size, then a blockout on the stencil and two more records, then another blockout and some more copies. With this sort of procedure the operator must constantly be in attendance at her machine.

***JOHN P. DECKER** has been in the service of Associates Investment Company, South Bend, for more than 28 years. He became assistant controller in 1946.*

Mr. Decker has spent many years in supervision of various company accounting operations, at home office and branch levels.

The fact that the new, pedal-operated A. B. Dick machines could be operated from a sitting position seemed to be the major advantage. Our earlier mimeographs required that the women stand all day, causing frequent backaches and leading to numerous requests for transfers to other work.

$3,000 Saved on Ink Alone

We were surprised, however, to find many other advantages that would justify the investment in new equipment. One would hardly expect to save $3,000 a year on ink costs alone, for example, but we do.

In our old operation, the women had to ink machines externally from open cans. The 5¼ x 8¼-inch stencil that we used covered only one-third of the normal duplicating area on the mimeograph cylinder.

The new closed cylinder machines are inked internally, with all but the copy area permanently sealed off. This is faster, neater, and more than doubles the number of copies we get from a pound of ink. The exact comparison figures are 350 sets of records per pound of ink now, against 161 sets a pound with the old setup. And neater inking means less scrap paper, and fewer cleanup pads to wipe off excess ink.

Here was the summary of anticipated savings we could present to management (cents omitted):

	Old Procedure	New Procedure	Annual Savings
Mimeograph Ink	$5,278.	$2,208.	$3,070.
Kimwipes	285.	29.	256.
Uniform Service	87.	——	87.
Cloth Ink Pads	64.	49.	15.
Scotch Tape & Sealer Papers	70.	12.	58.
Forms Spoiled	367.	122.	245.
TOTALS	$6,151.	$2,420.	$3,731.

The new equipment was to cost us $6,300, including five machines, work area units, cabinets, and tables. The completeness of our report showed that this cost would be recovered in less than two years.

Trial Runs Show Speedup

There was one more ace up our sleeve. The trial runs showed the women averaged as many as 470 record sets a day with the new equipment, compared with 350 to 360 sets on the conventional machines.

In practice we have found that four women handle as much work as five did formerly. We have been able to reassign the fifth girl to other work, save on exceptionally busy days.

Savings Forecast Confirmed

In the first eight months of operation, our savings forecast has proved accurate. There is no doubt the women enjoy the work and there has been no turnover since we installed the new equipment.

The main point, however, is that the thorough study immediately indicated the need for change on a dollars-and cents basis. If we had relied on intangibles only, ignoring the cost aspects because they seemed negligible at first glance, we might not have been sure the change was justified.

Guides to Improve Executive Operation

KEEPING INFORMED

IMPROVING THE COMPETITIVE POSITION OF THE INDEPENDENT WHOLESALER—by Richard M. Hill. Counteracting any pessimism that may prevail about the place of the independent wholesaler in today's economy, this book assays the wholesaler's competitive role, outlines methods to fortify it. 64 pages. Price $1.25. Order from Bureau of Business Management, University of Illinois, Urbana, Ill.

EXPLANATION OF SECTION 213 of the Interstate Commerce Act—I.C.C. Act revisions which became effective January 1st are explained in a booklet published by Trailmobile Inc. in conjunction with the American Trucking Association Foundation. The 12-page booklet goes into all aspects of the new law, should be of particular interest to equipment manufacturers, distributors and institutions which finance the purchase of motor carrier equipment, as well as to interstate motor carriers. For copy write to Trailmobile, Inc., Miss M. L. Penn, Cincinnati 9, Ohio.

THE INSIDE STORY OF OUTSIDE HELP—21-page brochure describes types of services, industries serviced here and abroad by the Ebasco organization. Also included is listing of individual brochures which outline in detail more than thirty consultant, engineering and construction services which range from appraisal to tax depreciation, tax accounting, nuclear engineering and others. For free copy, write Ebasco Services, Inc., 2 Rector St., New York 6, N. Y.

EFFECT OF THE NEW Initial Write-Off on Business Investment gets into some aspects of more complex provisions of the tax law. For copy, write Machinery & Allied Products Institute, 1200 18th St., Washington 6, D. C.

Informative reports, pamphlets, circulars, etc., which may be of interest to you. Please write directly to the publisher for them. CREDIT AND FINANCIAL MANAGEMENT does not have copies available.

To expedite receiving booklets described below in this column, address all inquiries concerning Efficiency Tips to CREDIT AND FINANCIAL MANAGEMENT, 229 Fourth Ave., New York 3, N. Y.

EFFICIENCY TIPS

759—Folder describes lines of rebuilt addressing, duplicating, mailing equipment and supplies available from Mailers Equipment Co., on purchase or rental basis.

▼

760—Two-color catalog of line of plastic office accessories of Delta Products, Div. of Air Accessories, shows trays, wastebaskets, chair mats, desktops, letter trays, signs. Free; write us.

▼

761—Shipping room tools and equipment, such as safety knives, carton openers, are subject of catalog of Flash Manufacturing Co. Price lists are given.

▼

762—Modern office copying techniques are described in attractive 16-page illustrated booklet of Eastman Kodak Co. titled "4 Versatile Office Time-Savers." Various models of company's line of copiers are shown.

▼

763—Important dehumidifier information is given in brochure of The Ebco Manufacturing Co., which illustrates colorful new-design models.

▼

764—"Times Faxwriter" communications equipment for transmission of graphic intelligence is described in brochure of Times Facsimile Corp.

▼

765—"Office Chairs by Columbia," 8-page brochure in color, shows line of Columbia-Hallowell Div., Standard Pressed Steel Co. Color wheel offers guide to color combination selections.

▼

766—"How Tags Move Merchandise" is theme of 4-page color brochure of Tag Manufacturers Institute.

BOOK REVIEWS

PRINCIPLES OF AUDITING—By Walter B. Meigs. $9.00. Richard D. Irwin, Inc., Homewood, Illinois.

• Considerable new and valuable material is included in the Revised Edition of this book, including legal liability of managerial services, pension plans, taxes, stock dividends and options, tests and samples, direct costing, deferred charges and others. Also included are a complete analysis of an audit report and several case studies. 820 pages of splendid material for auditor, accountant or business executive.

THE EVALUATION INTERVIEW — By Richard A. Fear, vice president, The Psychological Corporation. $6.00. 288 pages. McGraw-Hill Book Company, Inc., 330 W. 42d St., New York 36, N. Y.

• In his how-to-do-it approach to prediction of job performance, the author discusses orientation, the mechanics of the interview, and interpretation, warning against personnel decision based upon surface impressions. Here are factual, step-by-step suggestions to guide the interviewer and, finally, instructions for recording the findings. Very worthwhile reading—and study.

PROSPERITY AND DEPRESSION — by Gottfried Haberler, $6.00. Harvard University Press, Cambridge, Mass.

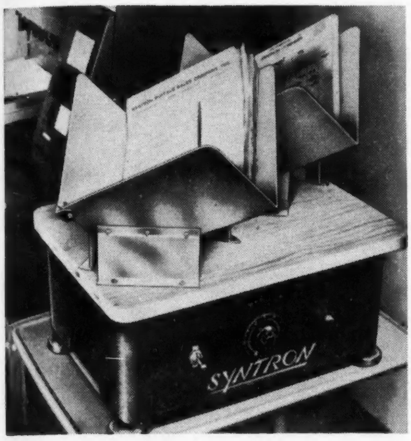
• Whether the business cycle is manageable or unmanageable is debatable. For anyone who seeks an understanding of the causes of business fluctuations this book is indispensable. A splendid analysis of existing theories of causes of economic variations and explanation of business cycles, showing how prima facie facts, seemingly contradicting one another, can sometimes be reconciled.

Books reviewed or mentioned in this column are not available from CREDIT AND FINANCIAL MANAGEMENT unless so indicated. Please order from your bookstore or direct from the publisher.

Modernizing the Office

New Equipment to Speed Production and Reduce Costs

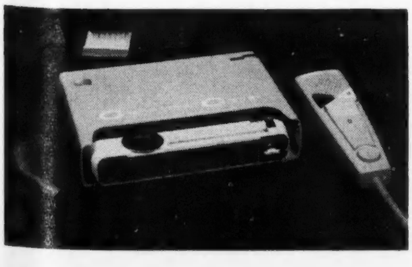
Double-Bin Jogger



587 Double-Bin Vibrating Paper Jogger, Model B2TJ-15 of SYNTRON COMPANY speeds handling of papers, automatically jogs anything from onionskin to cardboard, including carbon interleaved forms. Double-bin feature saves time; by replacing a lift as one is removed, there is always one lift working. Among many uses: aligning stacks of checks, invoices, data cards, straightening file papers prior to microfilming, for shaking down contents of envelopes before machine-opening of incoming mail. Power of vibration is instantly adjustable with turn of dial.

Sleek Dictating Unit

588 COMPTOMETER CORONET Portable Dictation Machine is lightweight, only 4½ lbs., measures 1/8x6¼x1⅝", fits into briefcase. Small mercury batteries provide power for more than 24 hours of solid dictation. Recording medium is magnetic Mylar reusable belt, which is mailable in standard #10 envelope. Controls are built into easy-to-handle microphone, including volume input and output, automatic dictation-reverse-playback. For home or office use an A.C. converter is available. Device is finished in attractive tropical tan and platinum. Leather shoulder-strap carrying case may be had.

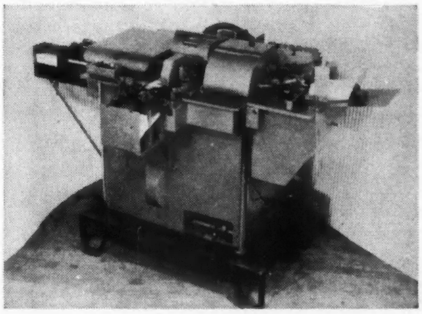


For Important Records

589 Styled by industrial designer Henry Dreyfuss and available in decorator colors, the new Insulated File Cabinet of MOSLER SAFE COMPANY has many practical features. File has an interchangeable lock for key or combination. Each drawer may be individually locked, making each drawer a safe in itself. Pushbutton handle; choice of two, three or four door models are other features. Letter or legal size papers can be accommodated. Underwriters Laboratories-approved cabinet will protect contents from fire up to 1,700°F. for one hour, notes maker.

This Department will welcome opportunities to serve you by contacting manufacturers or wholesalers for further information regarding products described herein. Please address MODERNIZING, Credit & Financial Management, 229 Fourth Ave., New York 3.

Addresses Punched Cards



590 Model G-PCA Punched Card Comparing and Addressing Machine of ELLIOTT ADDRESSING MACHINE COMPANY automatically feeds and imprints punched cards from punched card stencils. Feature is a centralized window covered by a coated tissue typewritable stencil. By recording in the stencil window the nonvariable information that is required only for reproduction, more punched positions become available in the card for other information. Machine handles checks, insurance premium notices, statements, envelopes to size #10.

Tapes Papers Neatly

591 Fast, neat, permanent attachment of papers and documents, such as attaching riders to insurance policies, mounting photos, attaching samples of cloth swatches, is possible with C-12 DOUBLE COATED TAPE APPLIER of Minnesota Mining & Manufacturing Co. Device is extremely simple to use; unit is loaded from underneath with "Scotch" brand double-coated tape No. 665; taped paper is pressed to whatever it is to be attached to. Need for glue, staplers is eliminated.

ON THE

Personal Side

HERMAN EBSEN, vice president and director of International Harvester Credit Corporation for several years, has been named president of the wholly-owned subsidiary of International Harvester Company. He succeeds Fred B. Mattingly, elected treasurer of the parent company. Mr. Ebsen is manager of International Harvester's credit and collection department. He authored the article "Add 'C' for Constructive Credit in Farm Equipment Sales," published in CREDIT AND FINANCIAL MANAGEMENT, August 1956.

WILLIAM R. ODELL, vice president and treasurer, International Harvester Company, Chicago, has been appointed vice president, finance, a new position at IHC. Mr. Mattingly succeeds Mr. Odell as treasurer. Mr. Mattingly has been director of credit and collections and prices and contracts. In 1949, when International Harvester Credit Corporation was formed he was made president of that financing subsidiary.

R. S. SHANNON has been elected a director and vice president in charge of sales, Weyenberg Shoe Manufacturing Company, Milwaukee. He began with the company in 1921 and was made credit manager in 1928. In the Milwaukee Association of Credit Men Mr. Shannon served as president from 1931 to 1934. He was an NACM director 1936-40.

ROBERT W. CHATTERTON has been promoted to vice president, Bishop National Bank of Hawaii, Honolulu, and appointed manager of the bank's loan supervision division. A past president of the Hawaii Association of Credit Men, Mr. Chatterton previously had advanced in the bank from assistant cashier and credit manager to assistant vice president and loan officer.

RAYMOND B. CREAN has been appointed vice president - treasurer, Gustin-Bacon Manufacturing Company, Kansas City, Mo. He had been for the last five years with Borg-Warner Corporation, Chicago, concurrently serving as president, Reflectal Corp., a subsidiary, and vice president, Ingersoll Products Div. Earlier associations included Baldwin-Lima-Hamilton Corporation, as vice president, Southwark Operation, and National Electrical Manufacturers Association. He is author of articles on budgeting, costs, and systems and procedures.

In appointments at Hales & Hunter Company, Chicago, account sales department, RALPH MICKOW has been named account sales manager for central region, and JERROLD L. STARK assistant manager. Mr. Mickow had been assistant vice president, The National Citizens Bank of Mankato, Minn., earlier in the credit department of Montgomery Ward Co. Mr. Stark, who holds a master's degree in agricultural economics, was business analyst with the St. Paul Bank for Co-ops, investigating credit needs of cooperatives.

The account sales department of Hales & Hunter is responsible for development and administration of all credit and financing programs offered customers.

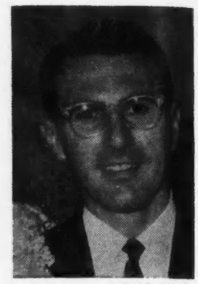
JOHN J. BARRANGER has been named vice president and treasurer, Stephen F. Whitman & Son, Inc., Philadelphia. He is a director and member of pension administration committee.

WALTER S. HOLMES, JR. has become controller, C.I.T. Financial Corporation, New York City. He had most recently been controller, Radio Corporation of America, and director of RCA Institutes, Inc.

HERMAN EBSEN

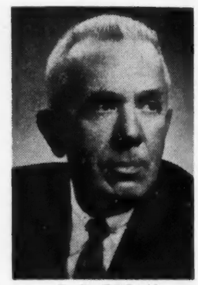
F. B. MATTINGLY

W. R. ODELL



R. W. CHATTERTON

L. E. FELTON



R. B. CREAN

L. E. FELTON has been appointed executive vice president, Green Giant Company, Le Sueur, Minn. Mr. Felton, who had been vice president of finance and treasurer, will continue to serve as treasurer. He began with the company in 1925.

ALAN S. JEFFREY has been named executive vice president of the American Finance Conference, succeeding Thomas W. Rogers, now senior vice president and economist.

MISS MARGARET A. ESSER, office manager and controller, Neidhoeffer & Company, Milwaukee, has been named secretary. JOHN W. DERSE has been appointed vice president for sales, Milwaukee division.

HARRY JACOBS now is secretary and credit manager, Regal Garment Corporation, New York City.

JOHN T. LOGAN, secretary-treasurer, Simmons Company, Kenosha, Wis., has been named a member of the executive committee of the board of directors.

Credit Is Part of Interdependent Economic System Of Interlocking Units, Dayton Conferees Are Told

THAT credits and collections are not an island unto themselves" but part of an interdependent economic system, each unit of which exerts gravitational pull on the other, was illustrated in talks by speaker after speaker in Dayton. Designated a "special program for credit and sales executives and their assistants," the third annual all-day credit conference at the university, sponsored by the University of Dayton, the Dayton Association of Credit Men and the Dayton Credit Women's Club, included economic forecasting, the business outlook in the immediate future and 25 years hence, financial and nonfinancial factors in credit analysis.

"The way to start in appraising management is to take a look at the company's objectives," Loren F. Minnick, director of organization development, The Standard Register Company, Dayton, told the executives in his talk titled "Non-Financial Factors in Credit Analysis."

"One source of credit information that doesn't cost much in money or time and which can be quite revealing is the experienced salesman, who has been properly trained and provided with useful forms," G. A. Sanders, supervisor of credits, The Procter & Gamble Distributing Company, Cincinnati, pointed out.

C

Using the formula T + A = P, or, putting training plus application into collections, the result is profit, noted Frank Hardesty, O. M. Scott & Sons Company, Marysville, Ohio.

Knowledge of Forecasting Needed

Financial executives must be alert to the direction in which the economy is moving, therefore "a knowledge of forecasting and interpretation of economic data is a 'must' in credit work," Dr. Thomas J. Hailstones, chairman, business programs, Xavier University, Cincinnati, told the executives. Among long-range projections for 1975 by Dr. Hailstones: estimated total population (U.S.) 235 million, labor force 90 million, civilian employment 86.2 million, Gross National Product $785 billions.

On the immediate horizon, Roy A. Foulke, vice president, Dun & Bradstreet, Inc., New York, sees the business outlook as "decidedly optimistic." Mr. Foulke discussed financial factors in credit analysis.

In his talk on nonfinancial factors in credit analysis, Standard Register's Loren Minnick advised the credit executives that their analysis of a company under surveillance "must provide some indication of the understanding and practice of its objectives by all levels of the company's management personnel."

From a study of how the subject company is set up organizationwise,

There's nothing like a little trouble to tell you who your friends are.
—N. A. Rombe

the credit executive proceeds to find the answers to these questions: are the functions and responsibilities for at least the key management positions clearly defined? do the managers have a common understanding of the guiding principles that have shaped their program? is the company under surveillance keeping up with evolutionary changes?

To his posed question "How much credit investigation?" speaker G. A. Sanders answered: "As little as possible but as much as is necessary."

"Accounts can be classified as small, medium or large from a credit viewpoint and each company should establish a clear policy as to the extent of the investigation given each class of trade." Summing up Mr. Sanders' detailed explanation of policy-fitting:

On small accounts—There need be little investigation on new or established small accounts beyond the salesman's recommendation. On established accounts credit should continue to be extended primarily on the basis of the account's payment record.

Medium-size accounts—Credit investigation should consist primarily of checks of agency ratings and reports, both in opening a new account and in reviewing an established one. This type of account is worth spending considerable time and money on if the rating is not considered satisfactory or if there are other unfavorable indications, such as poor payment.

Large accounts—Each company must arrive at its own dollar definition of a large account. The minimum credit investigation for an initial order is an agency report. Emphasis in this group is on preventive action or control. The large account requires a continuing investigation so that current information is always available and trouble can be spotted before a serious situation develops.

Not an "Island" Function

Because "collecting money is no 'island' function and depends on many other related functions for the resultfulness of its performance in business," Mr. Hardesty, in his talk on establishing a top-notch collection program, outlined a three-point training plan for effecting the 'climate of resultfulness'. This he described as comprising a Controlled Improvements program, which embraces analysis of work distribution and proposals for improved procedures in the collection area; a Communications Clinic for development of top-quality written and oral communications, and for added results, adoption of a Guide-Letter Binder for attaining optimum letter quality.

Robert A. Nunlist, assistant treasurer and credit manager, Armco Steel Corporation, Middletown, Ohio, spoke on "Collection Policies and Procedures." Thomas B. Talbot, Dayton attorney, conducted a discussion on "Mechanics of a Lawsuit and What Happens After Judgment." Warren A. Sandusky, credit manager, Standard Register Company, is president of the Dayton association, D. L. Aurand is secretary.

THEY ATTENDED the Credit Management Workshop in St. Louis. SEATED (l to r): Paul George, asst. to president, Columbian Rope Co., Auburn, N. Y.; Grace Arundale, credit manager, St. Charles (Ill.) Mfg. Co.; Ruby Letsch, office mgr. and credit consultant, Four States Dist. Co., Springfield, Mo.; May Helen Whipp, cr. mgr., Howard W. Sams & Co., Indianapolis; Rose Kohn, credit & collection mgr., New Era Shirt Co., St. Louis; M. T. Welshans, Prof. of finance, Washington University, St. Louis; R. A. Love, director, evening and extension div., Bernard M. Baruch school of business and public administration, City College of New York; J. F. Schofield, exec. vice pres. The St. Louis Association of Credit Management; W. P. Layton, educational director, NACM, National Association of Credit Management, New York City.

SECOND ROW: R. C. Hoffman, cr. mgr., The Borden Co.; P. C. Baichly, div. cr. mgr., Ralston Purina Co., Milwaukee; C. S. Nelson, cr. mgr, Supersweet Feeds, Des Moines; C. H. Tompkins, Jr., cr. mgr., Smith Bros. Mfg. Co., Carthage, Mo.; J. A. Flood, cr. mgr-Organic Div., Monsanto Chemical Co., St. Louis; Charles L. Henry, cr. mgr., Granco Steel Products Co., St. Louis; F. J. Athanasakos, asst. cr. mgr., Gaylord Container Corp., Div. of Crown Zellerbach Corp., St. Louis; G. R. Morgan, asst. c.m., Sheffield Div., Armco Steel, Kansas City, Mo.; J. D. Nygren, asst. c.m., Minnesota Mining & Mfg. Co., St. Paul.

THIRD ROW: O. E. Willard, cr. mgr., Great Western Paint Mfg. Corp., Kansas City, Mo.; W. J. Collins, treas., Wilson Paper Co., Galesburg, Ill.; Ray Blanchard, cr. mgr., Capitol Plumbing & Heating Supply, Springfield, Ill.; J. R. Burns, cr. mgr.-Inorganic Chemical Div., Monsanto Chemical Co.; P. J. Wilder, cr. mgr., Century Electric Co., St. Louis; Roy Lanphere, gen. cr. mgr., Anheuser-Busch, Inc., St. Louis; E. D. Brogdon, cr. mgr., Sloan Valve Co., Chicago; J. S. Lanning, cr. mgr., Green Colonial, Inc., Des Moines.

Not in the picture: W. E. Beckman, controller, Frank Adam Electric Co., St. Louis, and P. T. Ryan, general credit manager, National Advertising Co., Bedford Park, Ill. Discussion leaders were Mr. George, Dr. Welshans and Dr. Love.

Executives from 13 Cities at Credit Workshop in St. Louis

Credit executives from 13 middle-west cities participated in a Credit Management Workshop in St. Louis, conducted by the NACM Credit Research Foundation, Earl N. Felio then president, F. P. Layton director of education, with the cooperation of the St. Louis Association of Credit Management.

Discussed were the two topics "Customer Counseling" and "Objectives of an Effective Credit Policy". Discussion leaders were Dr. Merle T. Welshans, professor of finance, Washington University, St. Louis; Dr. Robert A. Love, director of the evening and extension division, Bernard M. Baruch School of Business and Public Administration, City College of New York; and Paul E. George, assistant to the president, Columbian Rope Company, Auburn, N. Y.

At a dinner meeting the first evening of the two-day Workshop, authorities on the economy forecast the year ahead in "A Financial Merry-Go-Round".

Panelists were Dr. George Coleman, economist, Mercantile Trust Company; Dr. Carl A. Dauten, professor of economics and director of graduate studies, Graduate School of Business Administration, Washington University, and Frank X. Keaney, director of research, G. H. Walker and Company. The moderator was Fred J. Athanasakos, assistant credit manager, Gaylord Container Corporation, St. Louis.

Flom Receives Phelan Award For Service to Detroit Unit

Fred Flom, director of credit and adjustment, The Detroit Edison Company, has been presented the L. E. Phelan Award by the Detroit Association of Credit Management. This is an annual presentation to the outstanding member for meritorious service and contributions to the organization.

FRED FLOM

Mr. Flom, member of the Detroit association for 25 years, and past president, is an immediate past director of NACM. He was general chairman of the 62d Credit Congress, in Detroit.

D. S. Broadbridge Appointed Staff Secretary at Portland

Appointment of Donald S. Broadbridge as staff secretary of the Portland Association of Credit Men is announced by R. W. Kupfer, executive vice president. He will be responsible for membership solicitation and contacts, meetings, and educational activities of the Association; and will continue to serve as head of the construction industries department.

D. S. BROADBRIDGE

Mr. Broadbridge joined the association two years ago as service representative following extensive sales and credit experience in the automotive field, where he also handled dealer's financial statements and operations. Shortly before joining the association, he had set up and managed an automotive agency in California, where he was a charter member of a top sales executive club.

He is a past president of the Timberline Toastmasters Club and a member of NOMA.

Greater Cincinnati Conference Brings Two Panels into Action

Two panels on specific areas of credit operation and addresses on others provided a wealth of information for credit executives of the Greater Cincinnati area at the sixth annual All-Day Credit Conference sponsored by the Cincinnati Association of Credit Management.

After association president Edward Heine, assistant to the president of H. A. Seinsheimer Company, had welcomed the delegates, Frank Hardesty, consultant, O. M. Scott & Sons, Marysville, Ohio, spoke on "Customized Communications."

The first panel went into action in discussion of "Special Credit Factors to Consider When Selling Shopping Center Merchants." Participating were H. L. Erickson, assistant cashier, Fifth Third Union Trust Company; Robert Garfield, of Frederick A. Schmidt, Inc.; Donald Beebe, controller, Burkhardt's Men Store; Robert T. Galvin, of Barkdull and Guckenberger, and Mr. Heine.

Luncheon speakers included Norman G. Backus, manager, collection department, Trailmobile, Inc., and general chairman of the association's Credit Club; William P. Layton, director of education, NACM, on "The Challenge of Preparing for Successful Credit Management"; and H. Lyman Greer, vice president in charge of investments, Fifth Third Union Trust Company.

"Creditor's Rights in Review" was the theme of the afternoon panel, with these speakers: Louis Clum, house counsel, Trailmobile, Inc., and J. Vincent Aug, Lester Seaman, and Alton C. Banks, attorneys.

William S. Voss, credit manager, Warehouse Division, Jones & Laughlin Steel Corporation, was conference chairman.

1 Minus 1 Doesn't Make 2

Any notion that "by robbing Peter to pay Paul, the real purchasing power of Peter plus Paul will be increased" is "pure bunk," Robert C. Tyson, chairman of U. S. Steel Corporation's finance committee, told the New York Chamber of Commerce. Mr. Tyson cited contention by the United Steelworkers that a billion-dollar settlement of the forthcoming contract negotiations would stimulate national purchasing power.

W. J. McDonald Named NACM Controller; Miss Ruth Hoctor Retires as Treasurer

William J. McDonald has been appointed controller of the National Association of Credit Management, succeeding Miss Ruth Hoctor, who has retired after 42 years with National. Miss Hoctor also was treasurer.

W. J. McDONALD

Mr. McDonald has had wide experience in business management, organization, finance and auditing, and corporate tax matters—Federal, state and local.

A certified public accountant, he was attracted to the challenging complexities of private industry early in his career. Following several years of public practice he joined Susquehanna Mills, Inc., a nationwide, integrated, multi-company textile organization, and served successively as general auditor, controller, corporate secretary, and treasurer.

More recently his activities included special assignments for other large companies where the substantial sums at risk demanded comprehensive examinations and recommendations.

Mr. McDonald attended the school of business administration, Fordham University, and took special courses in commercial law and finance in qualifying for the CPA examination.

Miss Ruth Hoctor, treasurer of the National Association of Credit Management, has retired after 42 years of continuous service to the organization.

RUTH HOCTOR

After graduation from Washington Irving high school in New York City and completion of commercial courses in stenography, bookkeeping and commercial law, Miss Hoctor studied accounting two years, at Columbia University evening school.

Engaged by NACM as a secretary, she was advanced successively to bookkeeper, cashier, controller and assistant treasurer, then treasurer.

Over the years Miss Hoctor has become known to thousands of credit executives through her attendance at Credit Congresses and meetings of the National boards of directors and for her activities in advancement of the interests of the Credit Women's Groups.

Miss Hoctor was accorded special honors at the 63rd Annual Credit Congress for her long service to National. Details with a picture of the presentation will appear in the July issue of CFM.

Complaints on Trade Practices Set High, So Do Cease Orders

Applications for complaints, for enforcement of Federal trade and antitrust laws, rose to a record 3,782 in the fiscal year ended June 30, 1958. The number of formal complaints issued by the Federal Trade Commission increased 46 per cent over the previous fiscal year, and orders to cease and desist from illegal practices rose 52 per cent, says Commerce Clearing House.

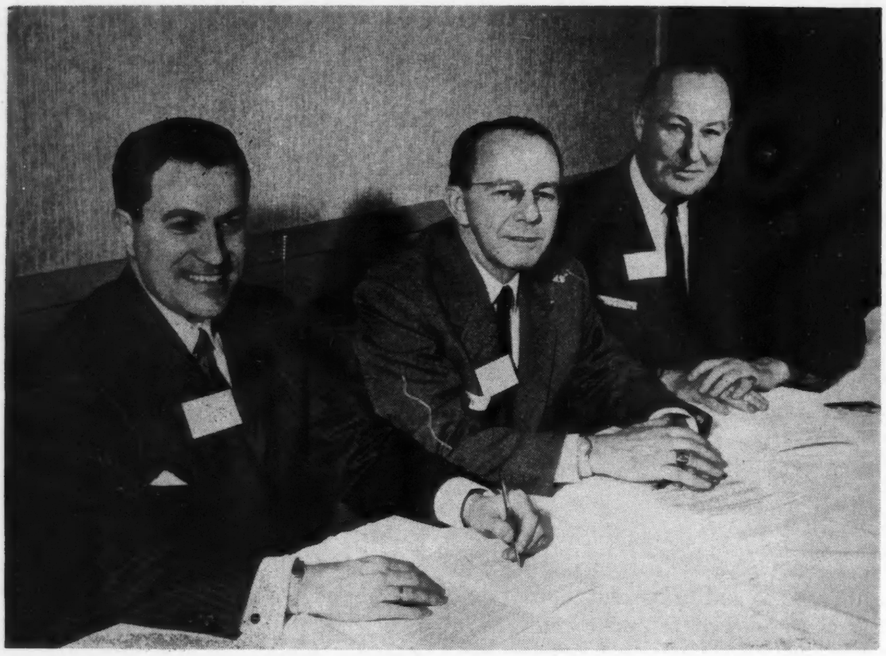
Show people you are a live wire, and they won't step on you.
—N. A. Rombe

Purchasing Agents Point to Increases in New Orders

Increases in new orders by their companies were reported by 48 per cent of the members of the business survey committee of the National Association of Purchasing Agents. Only 8 per cent showed decreases.

Unevenness of the continuing improvement was noted in the fact that basic metal producers though approaching records were having a problem fulfilling demands, but capital goods industries were in need of more orders.

Many expressed concern over inflationary tendencies with the continuing upward movement of commodity prices, and over the effect on buying in the business to be recorded in the third quarter.



OFFICERS of the newly organized New York Metropolitan Chapter, Credit Research Foundation, NACM, include (left to right) vice chairman Robert A. Geib, assistant vice president of Chemical Corn Exchange Bank; and chairman Harold J. Kneuker, assistant treasurer of American Machine & Foundry Corp., shown with the then Foundation president, Earl N. Felio, treasurer, assistant secretary, and general credit manager, Colgate Palmolive Co. The chapter's elected secretary-treasurer, David T. Hopper, manager-credit, ACF Industries, Inc., was absent.

Wissel Now Houston Executive Secretary; DeVries Succeeds Him at Grand Rapids

WALTER J. WISSEL is the new executive secretary of the Houston Association of Credit Men, Inc., and Gary DeVries succeeds him at Grand Rapids as executive secretary of the National Association of Credit Management, Western Michigan, Inc.

Walter J. Wissel has been in charge of the Grand Rapids office six years. Previously he was for three years secretary of the NACM, St. Joseph Valley Chapter, Inc., at South Bend, Ind. He succeeded Edward DeGroot at Grand Rapids.

W. J. WISSEL

Mr. Wissel studied at Butler University and Notre Dame University and was graduated in law at Notre Dame.

In World War II he served in the U.S. Air Force in the European operations.

There is no smaller package than a man wholly wrapped up in himself.

Gary De Vries, new secretary-manager at Grand Rapids, a native of Racine, Wis., received his early education at Grand Rapids and continued through the extension division of the University of Michigan and later at the University of Wisconsin. He holds an Associate Award of the New York Institute of Credit and was graduate assistant instructor, Dale Carnegie course, at Davenport Institute.

GARY DE VRIES

Mr. DeVries for four years headed sales and public relations for the Grand Rapids unit.

He is well known in the secretarial Group of the National association, twice attended NACM Sales Schools as well as secretary-managers meetings.

Kneuker Heads New York Unit Of Credit Research Foundation

Harold J. Kneuker, assistant treasurer of American Machine & Foundry Corporation, has been elected chairman of the New York Metropolitan Chapter of NACM's Credit Research Foundation, Inc.

The chapter elected as vice chairman Robert A. Geib, assistant vice president Chemical Corn Exchange Bank, and as secretary-treasurer David T. Hopper, manager-credit, ACF Industries, Inc.

The chapter, with more than 40 members at its second meeting, voted to recommend consideration of these topics for special research projects:

"Developing of Scientific Methods for Counseling and Assisting Marginal Accounts" and "Motivation, Incentive and Morale Improvement for Credit Department Personnel".

Foundation's then president, Earl N. Felio, treasurer, assistant secretary and general credit manager of Colgate-Palmolive Company, welcomed the chapter's members.

Peter B. Nold, general credit manager of Continental Can Company, presented the slate for chapter officers, as chairman of the nominating committee. The committee also recommended these objectives for the chapter: advancement of Foundation projects, development of new ideas for research, recommendation of personnel for research committee membership, and chapter service as a social agency for discussion of problems.

Chairman-elect Kneuker emphasized the chapter's duty to augment research and educational activities.

After George P. Laine, CRF assistant director of education, had reported enrolment for the Graduate School of Credit and Financial Management at the highest mark for comparable date since the School's inception, Mr. Layton and John F. Neary, Jr., assistant director of research, outlined the projects.

Among those participating in the ensuing discussion were Sidney A. Stein, president Stein Factors Corporation; Osbon W. Bullen, general credit manager Lever Brothers Company; F. J. Lanning, general manager Motor Equipment Manufacturers Association; William J. Dickson, consultant, credit and collection service, General Electric Company; and George E. Gaba, general credit manager J. P. Stevens & Co.

Credit Men's Fraternity Offers to Executives A General Opportunity to Lend a Helping Hand

NACM member companies have an opportunity nationwide to "extend a helping hand" in the tradition of the voluntary services of the Credit Men's Fraternity, Inc., says Sidney A. Stein, president of Stein Factors Corporation, Inc., New York.

"In the past four years the Fraternity has had calls from 432 applicants seeking employment, and we have placed 131," declared Mr. Stein, past chairman and past president of the organization.

"While the Fraternity confines its activities to the Metropolitan New York area, we feel sure that, if an out-of-town company were interested in securing a creditman or woman, we would have several on our list of applicants who would fulfill the requirements and be willing to relocate.

"Our list is composed of men and women who are well grounded in credit work and have had a minimum of two years experience in checking credit. Many of them, in addition to being able to serve as credit and financial managers, have the qualifications to serve as controllers, treasurers, as statisticians and other positions in banks. Interested companies should contact Credit Men's Fraternity. We will be happy to assist them in fulfilling their needs in the way of credit personnel."

Officers of the Fraternity are: chairman of the board, Ervin A. Schutz, Burlington Industries, Inc.; president Charles A. Bulloss, H. A. Caesar & Co.; first vice president Joseph Schneider, Bachmann Uxbridge Worsted Corp.; second vice president Augustus J. Weiss, Lehigh Valley Coal Sales Co., Inc.; third vice president Charles R. Rhodes, Meinhard & Co., Inc.; secretary Jack Perl, Naitove Factors Corp.; assistant secretary Paul M. Strick, James Talcott, Inc.; treasurer Raymond J. Dougherty, Jr., North American Rayon Corp.; assistant treasurer Benjamin Cohen, Shapiro Bros. Factors Corp.; counsel, J. Jacob Hahn, Hahn & Golin. Mildred C. Morison is corresponding secretary.

It was following the depression years of the 1930's that the Credit Men's Fraternity was born. The

Sidney A. Stein

Good and Welfare Fund of the 475 Club had been quietly helping the unemployed creditmen through the personal contributions of club members. To broaden the scope of activities the project was placed before a public testimonial dinner in December 1939 to seven past presidents of the National Association of Credit Management: William Fraser, Henry H. Heimann, Curtis Burnett, Percy Haight, William Koelsch, Charles Meek and William Pouch.

Names of men who contributed to make the Fraternity a reality read like a rollcall of the profession, men whom Henry H. Heimann in his editorial of January 1940 called "Torch-Bearers".

In February 1943 the name was changed to Credit Men's Fraternity, Inc., and in 1944, Paul Hunter became its president. Following the end of World War II an expert in personnel and placement was engaged.

The Fraternity now has approximately 500 members. The organization is supported entirely by voluntary contributions.

The entire proceedings of the service are confidential, protecting both employer and applicant. Inquiries should be directed to: The Credit Men's Fraternity, Inc., Miss Mildred C. Morison, corresponding secretary, 10 East 39th Street, New York 16, N.Y.

For Example: — —

Following are examples of the announcements of available credit personnel, as they appear in bulletins, issued by Miss Mildred C. Morison, corresponding secretary of Credit Men's Fraternity.

District Credit Manager (35 million volume). Food and textile manufacturing background. Age 38. Good sales analyst too.

Office Manager-Credit Manager. Retail chain and credit bureau background. Can travel extensively or relocate.

Collection Manager. Matured, sound judgment. Wholesale and manufacturing experience. Familiar with commercial financing too!

Credit Man or Manager. Background department store, jobbing and factoring. Hard and soft goods.

Controller - Office Manager - Credit Man. College. 28 years. Ready-to-wear manufacturing background.

Female Credit Manager. Competent, likable, efficient, not "officious." Thoroughly grounded. A real worker!

Credit Executive. Former No. 2 man of very large basic metals company. Initially bank trained. Northern New Jersey resident. Will relocate.

District Credit Manager. About 35 million accounts receivable. Very familiar packaged goods field. College graduate. Very personable and reasonably priced.

Office and Credit Manager. Varied background. Importer, distributor, industrial manufacturing experience. College background.

Credit Manager. Outstanding man. Well rounded by manufacturing, factoring and bank experience, plus New York Institute of Credit. His previous bosses were "deans of the credit industry." Age 40. Extremely personable.

CALENDAR OF EVENTS IMPORTANT TO CREDIT

WATERBURY, CONNECTICUT
June 9
42nd Annual State Conference of Connecticut Association of Credit Men, including associations of Hartford, New Haven, Waterbury and Southwestern Connecticut.

PALO ALTO, CALIFORNIA
June 28-July 11
Stanford University session of the NACM and CRF Graduate School of Credit and Financial Management.

HANOVER, NEW HAMPSHIRE
August 2-15
Dartmouth College session of the NACM and CRF Graduate School of Credit and Financial Management.

FARGO, NORTH DAKOTA
September 18-19
North Central Credit Conference including Minnesota, North Dakota, Manitoba

GRAND RAPIDS, MICHIGAN
September 24-25
Great Lakes Regional Credit Conference, including Illinois, Indiana, Michigan and Wisconsin

MINNEAPOLIS, MINNESOTA
September 28-30
American Petroleum Credit Association's Annual Convention

CHICAGO, ILLINOIS
October 4-7
Annual Fall Conference of Robert Morris Associates

OMAHA, NEBRASKA
October 14-16
Tri-State Credit Conference, representing Iowa, Nebraska and South Dakota

MEMPHIS, TENNESSEE
October 14-16
All Southern Credit Conference

SYRACUSE, NEW YORK
October 15-17
Tri-State Credit Conference, including New York, New Jersey, Eastern Pennsylvania, and Maryland

CHICAGO, ILLINOIS
October 16-17-18
Midwest Credit Women's Conference

BOSTON, MASSACHUSETTS
October 20-21
New England District Credit Conference, including Connecticut, Maine, Massachusetts, New Hampshire, Rhode Island and Vermont.

QUINCY, ILLINOIS
October 21-23
Quad-State Credit Conference, including Missouri, Kansas, Southeastern Iowa and Southern Illinois.

CLEVELAND, OHIO
October 22-23
Ohio Valley Regional Credit Conference, including Ohio, Western Pennsylvania, West Virginia, Kentucky and Eastern Michigan.

PERSONNEL MART

Credit Executive Available

CREDIT MANAGER or Assistant. Strong Financial and Administrative background national companies. Ability to coordinate multi-branch flexible credit policies, with emphasis on sales tie-in. Believe in intensive personal contact to strengthen marginal accounts and minimize competition. Familiar with IBM accounting, contract administration, bonding procedures, personnel and office management. Harvard graduate, age 41, salary $10,000 range. CFM Box #471.

Credit Position Open

FEED MANUFACTURER in northeastern U.S. has opening in Credit Department for man willing to travel. State age, education, experience and starting salary expected. Write CFM Box #472.

HAPPY BIRTHDAY! Speakers at the 13th anniversary observance of the Credit Managers Association of Erie included charter members Philip E. Kuntz (left), office manager, Erie Window Glass Co., and F. Earl Bonnell, secretary and assistant treasurer, Erie Strayer Co.

FCIB Space Age Credit Panel Is Export Managers Feature

A luncheon panel presentation on "Space Age Credit Administration," conducted in cooperation with NACM's Foreign Credit Interchange Bureau, was a feature of the 42nd annual convention of The Export Managers Club of New York, Inc.

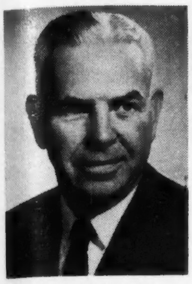
Participants in the symposium were Howard O. Hawley, banking representative, International Division, Ford Motor Company; Fred R. Pinter, president, Overseas Export Corporation, and Henry Dempsey, acting director, trade development division, office of trade promotion, U. S. Department of Commerce.

The luncheon chairman was James B. Husted, vice president The Philadelphia National Bank, and FCIB chairman.

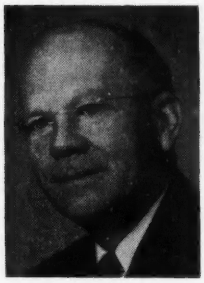
Aggressive and more effective competitive merchandising for export selling was a theme of the convention.

H. E. Heilman, vice president-sales, International B. F. Goodrich Company, Akron, proposed return to basic marketing and planning programs.

"You must present yourselves more to the peoples of Asian and other lands as the spiritual people you are—not the money-mad, mercenary people daily portrayed in Communist propaganda," General Carlos P. Romulo, Philippines ambassador to the United States, advised at the luncheon of the International Advertising Association.



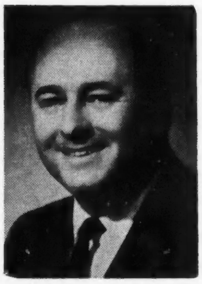
J. JACOBSON



F. C. KNAPP

Executives in the News

G. W. STAFFORD



J. W. SATTAZAHN

J. H. BARRON

R. J. SCHMIT

Paper Group Leader Proves Communications a Vital "C"

To his newly assumed post as president of The Credit Men's Association of Eastern Pennsylvania, J. W. Sattazahn, credit manager, Scott Paper Company, Chester, Pa., brings this leadership requisite: proved skill in communications. In his company he was sales correspondent for three years before becoming credit manager in 1946. Earlier he had been 10 years with Chase Bag Company, Philadelphia, as sales correspondent.

In addition to local association offices, Mr. Sattazahn has served as chairman, National Paper Industry Credit Group; vice chm., National Food Manufacturers Credit Division, and chairman, Industrial Credit Club of Philadelphia. At the 61st Credit Congress in Miami he participated in the panel "Punched Card Systems in Credit Department and Accounting Operations," which was published as a symposium in CFM September 1957. He holds the Executive Award of NACM's Graduate School (1950).

F. C. Knapp Is Advanced to Treasurer Endicott-Johnson

Frank C. Knapp has been appointed treasurer, Endicott Johnson Corporation, Endicott, N.Y., to succeed Bruce L. Babcock, who has retired. From a beginning in 1914 in the sales bookkeeping department, Mr. Knapp went into credits, advancing to section creditman, credit manager of Endicott sales department, and in 1946 to assistant treasurer of Endicott Johnson.

Mr. Knapp is past president of Triple Cities Association of Credit Men. In the National association he served as director 1953-54 and on a number of committees, including the National Institute of Credit of which he holds the Fellowship Award. He is a director of the Endicott Trust Company.

Wholesale Center for North Texas His Long-Range Goal

Advancement of community and business are twin objectives of Joe H. Barron since he went to Wichita Falls, Texas, in 1949 and bought the Merchants Wholesale Drug Company. Mr. Barron recently was named president of the Wichita Falls Wholesale Credit Managers Association, of which he is a charter member. He has been active in the wholesale division of the Chamber of Commerce for the last ten years, helping to build Wichita Falls as a wholesale center.

Mr. Barron studied at North Texas State College, Denton, where he became associated with Monroe-Pearson Wholesale Grocery Company in 1935.

Baltimore Treasurer First Elected Baseball Career

'Tis an ill wind that blows nobody good and the 1939 shoulder injury which cut short the professional baseball career of Glenn W. Stafford, secretary-treasurer, L. A. Benson Company, Inc., Baltimore, "walked" him to accountancy as first base, from which he advanced to credits, culminating in recent election to the presidency of the Baltimore Association of Credit Men.

Credit Service of Oilman Marks West Coast Trail

A one-company man, Oregon-born J. Jacobson went from Whitman College at Walla Walla, Wash., in 1922 to work for Standard Oil Company of California as ledgerman. As district credit manager he served at Walla Walla, Spokane and Seattle, going to San Francisco in 1949 as assistant general credit manager.

At Spokane and Seattle Mr. Jacobson was active in the local credit associations. In San Francisco his many committee chairmanships, particularly insurance and foreign trade contributions, have culminated in election as president of the Credit Managers Association of Northern and Central California.

CPA Heads Credit, Serves Office Managers, Chamber

The new president of the Montana-Wyoming Unit, NACM, Robert J. Schmit, arrived in Billings in 1953 to manage the office of Peat, Marwick, Mitchell & Company, certified public accountants, with whom he began in 1949. Earlier he had been associated with Touche, Nevin, Bailey & Smart, in their Minneapolis office. He is a certified public accountant of Montana, Wyoming, Minnesota.

Mr. Schmit is treasurer Billings Chapter, National Office Management Association, member Billings Chamber of Commerce committees.

Reports from the Field

Philadelphia, Pa.—Howard I. Green, President, Fidelity America Financial Corp. and president, The Small Business Investment Co. of Pennsylvania, treasurer National Association of Small Business Investment Companies, gave an expert's views of the program called for under the SBI Act of 1958, to members of the Plus One Club of the Credit Men's Association of Eastern Pennsylvania, at the monthly luncheon meeting.

The Industrial Credit Club meeting of the association heard Ralph S. Giordano, assistant vice president and member foreign department, The Philadelphia National Bank, in a discussion of the effect upon U.S. business of foreign currency devaluation.

Final meeting in a series of panel discussions which focused on new technique and procedure in credit management had Arthur W. Hill, general credit manager, E. I. duPont de Nemours & Co. as moderator, and these participants: E. R. Costello, credit manager, Edgcomb Steel Co.; James W. Sattazahn, credit manager, Scott Paper Co.; Byron E. Van Dyke, credit manager, The Esterbrook Pen Co. and chairman program committee; Frank F. Tozer, credit manager, Michael Flynn Manufacturing Co.; J. Leroy Vosburg, partner, Fernald & Co.

Detroit, Mich.—"A Brief Case for Business" was the title of demonstration-talk by W. R. Mackay, district manager, Shell Oil Co., Saginaw, at the dinner meeting of the Detroit Association of Credit Management. At the same meeting Frederick H. Schrop, special representative, discussed fraud prevention activities of the NACM.

Sioux City, Iowa—A jointly sponsored meeting of the Sioux City Wholesale Credit Women and NACM Interstate Division heard attorney T. M. Whicher discuss legal aspects of credit problems.

Buffalo, N.Y.—"Fidelity Bonds or Who's Honest" was title of talk by William J. O'Connor, Jr., of Penney, Penney & Buerger, at the meeting of the Credit Men's Association of Western New York.

Wheeling, W. Va.—"Credit Economics at Home and Abroad" was subject of Philip J. Gray, secretary, National Association of Credit Management, and director of its foreign interchange bureau, at the meeting of the Wheeling Association of Credit Men.

St. Louis, Mo.—Credit Women's Club of the St. Louis Association of Credit Management, considered the "How of Credit Management—Systems and Procedures" at its education meeting. Panelists included S. M. Cole, Ralston Purina Co.; John Tweddale, United States Steel Supply, and A. J. Wagner, Mallinckrodt Chemical Works. A. P. Brigham, Pet Milk Co., was moderator.

The Credit Women's Club earlier had held a roundtable meeting which featured letter writing. Miss Mayme Lee Parish, credit manager, U.S. Plywood Corp., was moderator of the program which attacked problem areas of collection follow-up, unauthorized return goods, refusal order submitted for open account.

Los Angeles, Calif.—Royal Order of Zebras herd, 75 strong, convened at the "Meeting of the Year" for dinner and Zebra-fellowship.

Green Bay, Wis.—F. M. Hulbert, manager credit division, Procter & Gamble Distributing Co., Cincinnati, then vice pres. central division, NACM, addressed the dinner meeting of the NACM Northern Wisconsin-Michigan Unit, at Appleton, on "Credit Policies and Attitudes."

Boston, Mass.—"Some New Frontiers in Credit Management" provided theme for Prof. Charles M. Williams, Harvard Business School, at the meeting of the Boston Chapter, National Institute of Credit.

Wheeling, W. Va.—The legislative outlook was subject of Arch A. Moore, Jr., Congressman, 1st Cong. Dist., at the dinner meeting of the Wheeling Association of Credit Men.

Cleveland, Ohio—Joint education meeting of the Cleveland Association of Credit Men and Robert Morris Associates heard a panel discussion of "Credit Ethics and Practices" which had these participants: Willard Thomas, Campus Sweater & Sportswear Co.; Walter Beuther, Sherwin Williams Co.; Richard Clark, Cleveland Trust Co.; and Harry Bartrum, National City Bank. A bonus feature of the joint program was a series of afternoon tours to credit departments of Standard Oil Co., Central National Bank of Cleveland, and Dun & Bradstreet.

Syracuse, N.Y.—Philip J. Gray, secretary, National Association of Credit Management and director of the foreign department, was speaker at the dinner meeting of the Syracuse Association of Credit Men.

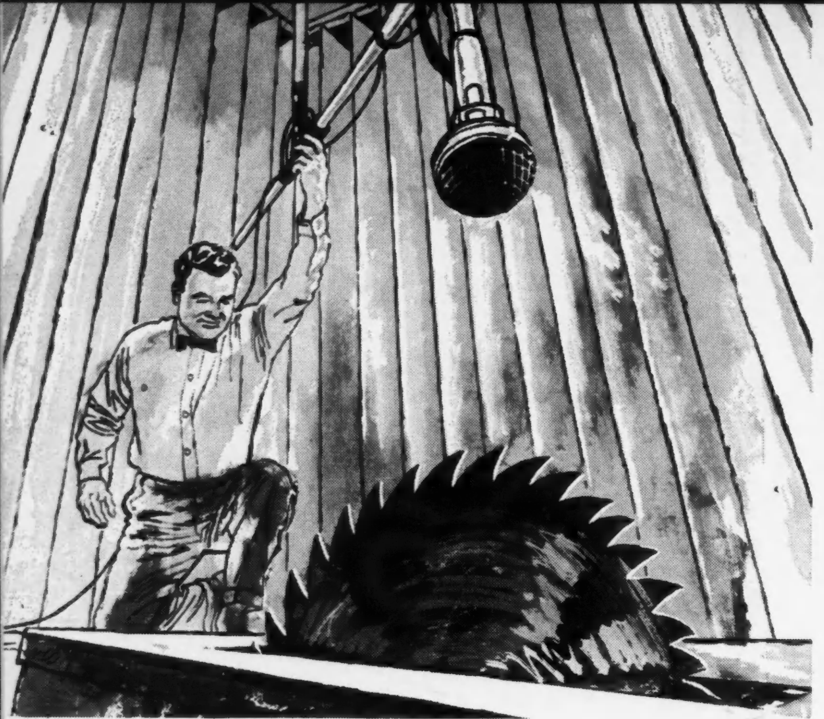
Grand Rapids, Mich.—What to expect from a creditors committee, was subject of Louis F. Davis, secretary-manager, Detroit Association of Credit Men, at the luncheon meeting of the NACM (Western Michigan) Inc.

Kenneth W. Robinson, regional director, UAW-CIO, discussed the role of organized labor in our society, and Fred L. Hanson, manager Grand Rapids branch, Dun & Bradstreet, stressed financial statement analysis, at subsequent luncheon meetings.

Minneapolis, Minn.—Public relations in business and salesmanship was topic of Clarence N. Walker, executive staff representative, Coca Cola Bottling Co., Atlanta, at the meeting of the Minneapolis Credit & Financial Management Association.

Youngstown, Ohio—Annual joint meeting of the Youngstown Association of Credit Men and the Youngstown chapter, National Office Management Association (NOMA) heard Albert A. Beste, credit-sales manager, Koenig Coal & Supply Co., Detroit, in a discussion of sales techniques applicable to all phases of the business.

Rochester, N.Y.—"If Your Company Goes Broke?" was unusual title of a talk by Charles J. Briggs, executive secretary of the Rochester Credit & Financial Management Association and executive vice president of the Credit Men's Service Corporation. With mortality rate for businesses high, the need is great for understanding what brings about failure and what to expect should it happen, Mr. Briggs said.



In a soundproof room at Liberty's Research Center, acoustical engineers check industrial machinery for noise sources. This "anechoic chamber" is used to help policyholders find ways to muffle excessive noise in their plants. Goal: fewer on-the-job accidents, higher morale.

Liberty's claims service has helped policyholders in many distant parts of the world. Example: a frostbite victim was flown from the Arctic to the U. S. for emergency treatment. Partial amputation was necessary. Our rehabilitation experts then worked for six months to help him learn to walk again, return to work.

New knowledge for nurses. Liberty holds one-week refresher courses for policyholders' in-plant nurses. Over 900 nurses from 800 firms have attended 34 of these courses. Result: better medical programs, lower absenteeism, lower compensation costs.

New ways Liberty Mutual provides

Protection in depth

to safeguard your people... to cut workmen's compensation insurance costs

The best way for you to lower your compensation insurance costs is to start right now to cut down on accidents and losses. To help you in this job, Liberty Mutual can make available a broad range of extra skills and resources.

We call this protection in depth. It includes an occupational medicine program . . . an 86-acre Research Center . . . nearly 1,400 claimsmen. These, plus all the other extra services behind Liberty's protection in depth, can help you protect your employees and cut your insurance costs.

Protection in depth has helped thousands of Liberty policyholders cut costs through experience modification. And it has helped us return more than $455 million in dividends. You can buy protection in depth only from a Liberty salesman. Contact us today for full details.

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